



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

**Final report**

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ADE s.a.  
Rue de Clairvaux, 40  
B-1348 Louvain-la-Neuve  
Belgium  
Tel.: +32 10 45 45 10  
Fax: +32 10 45 40 99  
E-mail: [ade@ade.be](mailto:ade@ade.be)  
Web: [www.ade.be](http://www.ade.be)

FRAMEWORK CONTRACT: EVALUATION OF THE EUROPEAN COMMISSION  
AID IN PRODUCTIVE SECTORS AND BUDGETARY AREAS

ADE IN ASSOCIATION WITH IBM AND EPU-NTUA



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The views expressed are those of the Consultant and do not represent the official views of the Commission.



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## List of Acronyms

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<b>AA</b>	Association Agreement
<b>ACP</b>	Africa, Caribbean and Pacific (countries)
<b>AD</b>	Anti-Dumping Measures
<b>AFTA</b>	ASEAN Free Trade Agreement
<b>AFTA</b>	Arab Free Trade Area
<b>ALA</b>	Asia and Latin America
<b>ASEAN</b>	Agreement of Southern and Eastern Asian Nations
<b>ASYCUDA</b>	Automated System for Customs Data
<b>ATC</b>	Agreement on Textiles and Clothing
<b>CARDS</b>	Community Assistance for Reconstruction Development and Stabilisation (Balkans)
<b>CB</b>	Cross-Border
<b>CBI</b>	Cross Border Initiative
<b>CIS</b>	Commonwealth of Independent States
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>CRIS</b>	Common Relex Information System
<b>CRS</b>	Creditor Reporting System
<b>CSP</b>	Country Strategy Paper
<b>DDA</b>	Doha Development Agenda
<b>DG</b>	Directorate General
<b>DFID</b>	Department for International Development
<b>E&amp;SA</b>	Eastern and Southern Africa
<b>EBA</b>	Everything But Arms
<b>EBIC</b>	Europe Business Information Centre (Vietnam)
<b>ECD</b>	European Commission Delegation
<b>EDP</b>	Export Development Programme (Zambia)
<b>EIB</b>	European Investment Bank
<b>EPA</b>	European Partnership Agreement
<b>EPC</b>	Export Promotion Council (Kenya)
<b>ETE</b>	Europe Tunisia Enterprise
<b>EU</b>	European Union
<b>FIPA</b>	Foreign Investment Promotion Agency (Tunisia)
<b>FTA</b>	Free Trade Area/Arrangement
<b>GATS</b>	General Agreement on Trade in Services
<b>GATT</b>	General Agreement on Tariffs and Trade
<b>GSP</b>	Generalised System of Preferences
<b>HACCP</b>	Hazard Analysis and Control at Critical Point
<b>IBRD</b>	International Bank for Reconstruction and Development
<b>IF</b>	Integrated Framework
<b>IGAD</b>	International Agreement on Development
<b>IMF</b>	International Monetary Fund
<b>IMP</b>	Industrial Modernisation Programme (Tunisia)
<b>IPR</b>	Intellectual Property Rights
<b>IRCC</b>	Inter-regional Coordination Committee
<b>ITC</b>	International Trade Centre
<b>JITAP</b>	Joint Integrated Trade Assistance Programme
<b>KIPPRA</b>	Kenya Institute for Public Policy Research
<b>LDC</b>	Least Developed Countries
<b>MEDA</b>	Mediterranean countries covered by the MEDA regulations
<b>MEPO</b>	Moldovan Export Promotion Agency
<b>MTS</b>	Multilateral Trading System
<b>MUTRAP</b>	Multilateral Trade Policy Assistance Programme (Vietnam)
<b>NGA</b>	Non Governmental Agent
<b>NGO</b>	Non Governmental Organisation
<b>NIP</b>	National Indicative Programme

<b>NTB</b>	Non Tariff Barriers
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OVI</b>	Objectively Verifiable Indicator
<b>P3A</b>	Programme of Support to the Association Agreement
<b>PCA</b>	Partnership and Cooperation Agreement
<b>PCM</b>	Project Cycle Management
<b>PLAC</b>	Policy and Legal Advice Centre
<b>PMI</b>	Programme de Modernisation Industrielle
<b>PMU</b>	Programme Management Unit
<b>PRIDE</b>	Programme Régional Intégré de Développement des Echanges des Pays des Pays de l'Océan Indien
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>PSDP</b>	Private Sector Development Programme (Zambia)
<b>RHCTSS</b>	Regional Harmonisation of Customs and Trade Statistics Systems (COMESA)
<b>RIESA</b>	Regional Integration Southern and Eastern Asia
<b>RIFF</b>	Regional Integration Facilitation Forum
<b>RIO</b>	Regional Integration Organisation
<b>RIP</b>	Regional Indicative Programme
<b>ROO</b>	Rules of Origin
<b>RSP</b>	Regional Strategy Paper
<b>RTAs</b>	Regional Trade Arrangements
<b>SIA</b>	Sustainability Impact Assessment
<b>SME</b>	Small and Medium Enterprises
<b>SPS</b>	Sanitary and Phyto-Sanitary measures
<b>TACIS</b>	Technical Assistance to the Commonwealth of Independent States
<b>TAP</b>	Technical and Administrative Provisions
<b>TBT</b>	Technical Barriers to Trade
<b>TDP</b>	Trade and Development Programme (Kenya)
<b>TDSDP</b>	Tourism Diversification and Sustainable Development Programme (KENYA)
<b>TEP</b>	Trade Enhancement Programme (Egypt)
<b>TNSP</b>	Trade Negotiations Support Programme (Kenya)
<b>TRA</b>	Trade-related Assistance
<b>TRIP</b>	Trade-related Aspects of Intellectual Property
<b>TRTA</b>	Trade-related Technical Assistance
<b>TRTA/CB</b>	Trade-related Technical Assistance and/for Capacity Building
<b>TWG</b>	Technical Working Group (RIFF COMESA)
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNDP</b>	United Nations Development Programme
<b>WTO</b>	World Trade Organisation

## 0. Executive Summary

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### 0.1 The evaluation's aim, context and methodological approach (Sections 1 and 2)

The aim of the evaluation is to help the Commission improve its strategies for assisting partner countries in engaging in international trade and maximise the benefits in terms of sustainable growth and poverty reduction. The evaluation was requested by the Commission Services and endorsed by the Board of EuropeAid in November 2001. It was launched in December 2002. Three objectives were assigned: (i) To identify key lessons from the Commission's past co-operation in Trade Related Assistance (TRA) (since 1996), focusing on procedures and implementation issues and on the way they affected the impact of specific actions against their objectives; (ii) In the new policy context (i.e. following the Doha conference), to assess and judge the current programming of TRA actions, with particular regard to lessons learned from the past and to the integration of TRA in country and regional strategy papers and indicative programmes. This means examination of coherence with other policies, complementarities with other donor activities, and co-ordination issues; (iii) To formulate operational recommendations based on these assessments and aimed at improving the design and implementation of future TRA.

The evaluation takes place in the context of an evolving background. Whereas trade has long been an important element of Community development policies, the Declaration of Doha and the bilateral partnership agreements concluded by the Community have brought trade to the fore and stressed the need to provide TRA to overcome policy-related, structural and institutional constraints and to strengthen the capacity to engage profitably in international negotiations. This led the Commission to

review the issue of TRA in relation to its own assistance programme in the 2002 Communication "Trade and Development: Assisting developing countries to benefit from trade". The Commission's programming approach has evolved in parallel. Prior to 2000 there was no appreciation of TRA as a distinct set of development activities. Work conducted with the WTO and the OECD led to the development of the Creditor Reporting System (CRS) for the classification of TRA activities and created the conditions for improved visibility. In line with the Trade and Development Communication, the Commission created an Inter-services Task Force on TRA and elaborated a set of Guidelines to improve the quality of TRA delivery.

Evaluation methodology. The evaluation was conducted in three phases. The first phase aimed at preparation and development of the conceptual approach. This involved analysis of the overall policy context, elaboration of a working definition of TRA, an overview of the Commission TRA over the period of the evaluation, reconstruction of the intervention logic, formulation of the evaluation questions and related judgement criteria and indicators, and the methodological preparation of the field phase. Particular emphasis was given to this phase in view of a series of specific difficulties. TRA is a new concept and a working definition had to be agreed upon. The team retained the WTO/OECD/EC definition and agreed with the Steering Group to consider only those activities belonging to the first and second subsets of TRA, i.e. TRA supporting respectively policy and institutional capacity building, and productive sector development. Activities with a possible impact on the insertion into the Multilateral Trading System (MTS) such as infrastructure development have not been part of this evaluation.

The identification of TRA activities proved to be another issue because past TRA interventions were not recorded as such. More fundamentally, many past interventions were designed or implemented in the period 1996-2000 before the establishment of formal linkages of interventions to trade objectives. For this reason, the focus of the evaluation has been more on learning than on accountability. The second phase consisted of four field visits conducted as case studies and in a complementary desk analysis. It started with a briefing of the evaluators, in the presence of members of the Evaluation Unit of EuropeAid. The selected case studies aimed at covering the main partner regions and were: (i) for the ACP region, a combined field visit to Kenya and Zambia in order to analyse the assistance to the COMESA (with its Secretariat in Lusaka) and two of its member states; (ii) Tunisia for the MEDA region; (iii) Moldova for the TACIS region; and (iv) Vietnam for Asia. After each mission a country report was produced and the main findings were presented to the Steering Group. The third phase, devoted to the analysis and synthesis of the main findings and the formulation of the conclusions and recommendations, benefited from the constructive comments of the Steering Group and from fruitful exchanges on the occasion of a presentation of the preliminary results to the members of the Inter-Service Task Force.

## 0.2 The Evaluation Questions (Section 2.4)

To conduct this evaluation a set of nine Evaluation Questions (§2.4) was drafted in view of:

- Providing a readily accessible format for the evaluation criteria;
- Addressing the main issues relating to the Commission's activities in the field of TRA, as understood from the intervention logic and including the governing principles and the crosscutting issues;

- Addressing the double objective of this evaluation - to draw lessons from the past and to assess current programming. The Questions cover all evaluation criteria and the principles (including crosscutting issues) governing the Commission's interventions.

## 0.3 Main findings (section 3)

### a) Relevance of diagnosis underlying TRA interventions and appropriateness of response (section 3.1)

The first three Evaluation Questions concern the programming and identification stages of Commission TRA activities. They are meant to verify if the underlying *diagnosis* is appropriate to identifying the needs and priorities of the partner countries, and how far the *response* offered is consistent with the diagnosis, takes into account the Commission's own priorities and objectives and is co-ordinated with the activities of other donors.

The European Commission's programming approach imposes the correct and comprehensive procedure for identifying the needs of the partner countries and regions with respect to the development of their trade within the MTS. This requires a clear judgement on the partner's trade policy provisions, on its institutional framework including international commitments, on its trade performance and on the capacity and constraints of its productive sector. The diagnosis exercise should also lead to the identification of the objectives of the partner with regard to mainstreaming trade in its development policies as well as to how crosscutting issues are addressed.

In general, programming documents do not include systematic presentation of key trade policy and trade performance issues. Where they exist, elements of trade policy analysis and related institutional mechanisms are limited to general statements on the progress of liberalisation and the prospects for the main trade negotiations. The relative importance or value of alternative trade

policy and of regulatory and institutional strengthening options in maximising the positive effects of liberalisation is never assessed.

The assessment of the international trade productive sector capacity is not the object of a systematic approach highlighting the trade background and the challenges faced by the productive sector of the partner country or region. Programming documents rarely go beyond mentioning the need to diversify and expand export capacity. Basic trade performance indicators such as national or regional balance of payments, evolution of trade patterns, or revealed and potential comparative advantage are not systematically recorded in programming documents. Similarly, sectors featuring comparative (dis)advantages are not identified and no analysis of a trade strategy addressing the specific challenges of these sectors is provided.

At national level, the extent to which programming documents identify mainstreaming of trade in the development policies of the partner is limited. References to the integration of trade policy in national development plans are either very general or missing. The same observation holds concerning the treatment of crosscutting issues. This further stresses the absence of a comprehensive trade policy assessment in the partner country. Regional programming is based on much deeper underlying analysis than national programming.

It appears that identification of partners' needs largely rests on extensive consultation at the programming stage, involving Governments, Government agencies and inter-regional organisations as main interlocutors.

Programming documents generally list the TRA needs of the partner in broad terms without specifying whether this list is exhaustive and prioritised or else limited to the demands addressed by the partner. In some cases, selected and relevant trade

questions are explicitly referred to as issues requiring TRA. In other cases, the programming documents mention the existence of major trade challenges and provide for actions which could be qualified as TRA. However, these actions are neither identified as such nor explicitly related to trade issues.

Up to now neither procedures nor instructions have been issued imposing a structure and methodology for the realisation of diagnostic and analytical surveys shaping the programming of TRA. The Guidelines for European Commission Trade Related Assistance - recently finalised and circulated to the Delegations - are seen as a useful reference and their use should significantly improve the programming of TRA activities, not least because they impose a more systematic and comprehensive approach.

The European Commission's response was found largely based on the partner's demands and proved sensitive to the partner's requests and priorities. However, the rationale for retaining certain activities proposed by the partner, or for not including specific TRA components was impossible to ascertain from the majority of programming documents consulted. At regional level, the Commission's approach is based on a vision of open regionalism as a vector for insertion in the world economy. This leads to an explicit strategy to promote regional integration and to use the regional organisations to identify and channel TRA.

Co-ordination with the donor community takes the form of mutual information-sharing more than effective articulation of the different contributions to ensure delivery of a comprehensive and consistent body of reforms. The limited references to other donor activities in the Commission programming documents also make it difficult to appreciate how interventions interact with the broader range of assistance programmes undertaken within a particular country/region.

Programmed activities are always in line with the Commission's own objectives and priorities. However, TRA interventions are too often programmed in isolation rather than in the framework of a comprehensive set of reforms. This constitutes a major limitation to their contribution to the achievement of the overall objectives of the Commission.

In sum, the programming of trade related activities was usually conducted without the support of a fundamental, detailed and independent upstream analysis. The failure to contextualise programme deliverables in a clear and strategic framework has led to a rather piecemeal approach. It has been a limiting factor when assessing the contribution of the Commission's TRA to the elaboration of comprehensive and coherent policy reforms.

b) Efficiency of implementing modalities (section 3.2)

The efficiency of the Commission's TRA interventions was assessed under Evaluation Question number 4 through an examination of the appropriateness of implementation modalities as well as the selection, mix and quality of the inputs provided and mobilised with a view to achieving the expected results.

Programme inputs were usually adequate in terms of quantity and the funding mobilised proved generally to be in line with the beneficiaries' absorptive capacity and the ability of the Commission services and the consulting community to deliver the corresponding TRA. A good degree of complementarity between productive sector development projects and EIB loans has been achieved. However, three factors were identified that limit the efficiency of the Commission's TRA interventions. First, in a number of cases, the flexibility of programmes or projects was insufficient to adapt to the fast changing trade environment and associated beneficiary needs. The evaluators identified a number of projects that suffered from delayed delivery, for

reasons including lengthy periods between programming and implementation, and interruptions between successive projects. Deconcentration of the Commission Services has already improved the situation. It induced closer and more frequent liaisons with the beneficiaries resulting in swifter capacity to adapt. Second, the need to marry familiarity with the Commission procedures and a good understanding of local trade-related technical constraints and capacity has proved to be a limiting factor in the mobilisation of appropriate specialised expertise. Specific tools, such as the Commission Trade framework contract and the EC-ITC TRA Trust Fund have been recently introduced and should contribute to sensible improvements. Third, the diagnosis underlying the selection of implementation channels has in several cases paid insufficient attention to fragmentation of responsibilities and mandates in terms of formulation and implementation of trade policy within a given country. Broader project management structures (e.g. steering committees) could have improved implementation by involving not only the immediate beneficiary but also a broader range of government authorities and other stakeholders on which the beneficiary could rely.

c) Effectiveness of TRA in institutional capacity building, trade negotiation capacity and productive sector strengthening (section 3.3)

The effectiveness of the Commission's TRA interventions has been assessed on the basis of Evaluation Questions 5, 6 and 7. They refer to the four intermediary objectives identified in the reconstruction of the intervention logic: mainstreaming trade into domestic policies, contributing to trade-related reforms and promotion of regional arrangements, strengthening of trade negotiation capacity and strengthening of productive sector trade capacity.

In general, the Commission TRA has improved the partner countries' understanding of trade-related issues and

existing trade commitments and has contributed to increasing the awareness of trade policy issues. As such, the Commission's interventions have promoted internalisation of the trade dimension in domestic policies, fostered trade policy reforms and helped identify the requirements for complying with international trade agreements.

The effectiveness of the Commission's TRA programmes varies according to the channels of implementation, scope or context. In particular, it is higher when channelled through the promotion of regional integration and for the programmes that include a substantial part of technical activities belonging to the 1<sup>st</sup> subset of TRA. On the contrary, effectiveness has been lower when Country Strategy Papers (CSPs) have placed little focus on trade issues. In these cases 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 1 TRA content, /or when the domestic policies proved to be inconsistent with their objectives.

Support for trade negotiations took place at regional level (raising the capacity of both regional organisations and member countries to design, negotiate and implement regional trade agreements) and at national level (enhancing the capacity of the partner to integrate bilateral or multilateral trade agreements) and was effectively used by the partner countries. At regional level, this type of intervention is considered as a significant factor in progress in regional integration, while at national level it significantly contributed to increasing the knowledge levels of the officials involved in the management of trade issues and negotiations.

Effectiveness seems greater when the technical content of the assistance offered is high. This reflects the fact that demand for interventions with a technical focus is steadily

growing as a result of (i) of the evolution of the MTS, (ii) the Commission's policy in favour of regional integration and (iii) the existing or envisaged agreements the Commission is offering (AA, PCA, EPA, etc.). Nevertheless, capacity for engaging into the MTS remains low and, despite some progress, much work remains to be done, even on basic trade issues like finalising the applied tariff schedule and import duties or binding of tariffs in the WTO accession process.

The outputs delivered by the Commission TRA interventions that aimed at increasing the productive sector's international trade performance have been largely used by partner countries and addressed important needs of their industries. Demand in this area is also growing, as the lack of capacity to comply with more and more complex technical trade related regulations becomes a key issue for poorer countries. The effectiveness of interventions is nevertheless mitigated by the fact that (i) support to the private sector is generally 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, (ii) support to the productive sector, in particular for projects pertaining to the early period of evaluation, failed to address systemic reforms, and (iii) the main incentives for using the services offered under some projects were their low cost or the fact that they provided concession schemes used to bypass the constraints of the business environment instead of addressing them.

d) Impact and sustainability of the Commission TRA on partners' productive sector trade performance (Section 3.4)

Impact has been mainly assessed on the basis of Evaluation Question 8. The intended impact of TRA should ideally be appreciated in terms of the expansion and diversification of external trade, the strengthening of the position of the current balance of payments

account, and increased foreign direct investment. Analysis of the corresponding aggregate data reveals disappointing progress in all countries where the case studies were conducted with the exception of Vietnam. Macro-economic statistics, however, do not allow definitive conclusions on the impact of TRA because (i) it cannot be ruled out that a negative development of the macro aggregates would have been still worse without TRA, (ii) so many variables are at work that tracing the impact from micro level to macro-economic aggregates is virtually impossible. Analysis of impact has therefore been approached at the level of the productive sector operators having benefited from TRA. The main findings can be regrouped in three categories.

Regarding participation in international trade, two groups of activities have aimed at developing export capacities: direct support to help enterprises improve their competitiveness, and indirect support services to improve trade related practices and knowledge. In both cases beneficiaries indicated that these activities contributed to changes in their practices and had a positive impact on the development of their exports. These positive achievements are quantitatively small in comparison with the magnitude of the aggregate trade data, but they may be qualitatively significant.

Export diversification has not been systematically integrated in the implemented activities although it is an advertised objective of many TRA projects. When projects have been specifically designed to that end they have positively influenced the range of export capacities of the beneficiary enterprises, in terms both of products and of geographical markets.

TRA interventions aimed at influencing foreign investment through two channels: inclusion of foreign investment promotion activities directly in the projects, and adaptation of the business environment and capital movement conditions. There is some evidence of impact of the first approach but

it is very limited. Under the second approach the creation of regional markets was found to stimulate foreign investment. However, this positive impact could be limited or offset by adverse developments when competition policy had not been adapted in line with other reforms.

Overall, the main factor limiting the impact remains the existence of unfriendly or inadequate business environments and regulatory frameworks. Failure to address these constraints resulted always in limits to project impact and sustainability.

e) Incorporation of crosscutting issues in TRA (Section 3.5)

Evaluation Question 9 investigates the extent to which crosscutting issues (environment, social standards, gender and human rights) have been taken into account in the provision of TRA and whether they have been used as protectionist devices.

These issues are viewed as extremely important by the Commission and the partner countries, and are the objective of important specific interventions. However, as a general finding, the design of TRA does not take account of crosscutting issues. This is largely explained by the fear, often expressed by the partners, of further complicating the already excessively complex TRA activities.

The evaluation did not find evidence of crosscutting issues as protectionist instruments against trade partners. However, the view has been expressed that for the EU and other industrial countries environmental and social protection measures constitute a form of Technical Barriers to Trade not sufficiently addressed by TRA activities.



## 0.4 Conclusions (Section 4)

The main conclusions of the evaluation may be regrouped in six categories.

### 1. Information and coverage of TRA (section 4.1)

The absence of an accurate inventory of the Commission's TRA interventions limits severely the possibilities for a clear view of its activities and achievements. Sector categorisation was only introduced in 2000 and markers that would permit tracing of the trade components of large programmes are not systematically used. Moreover, information in programming documents is limited or even misleading as large programme documents often include sets of envisaged activities, whereas effective implementation covers only a small subset.

The coverage of the Commission TRA shows the existence of different clusters and channels according to the regions of intervention. In ACP countries regional integration is the preferred channel and support to productive sectors is the main cluster. In the MEDA region the focus of the Commission TRA has been on private sector development whereas technical activities from subset 1 of TRA are only starting. In Asia, national and regional programmes include an important trade component resulting from strong partner demand. In the TACIS region, the focus of TRA is on WTO accession and productive sector development in the transition context. In the CARDS region (no case study in this evaluation), TRA is recent but addresses a wide range of needs. Overall, subset 1 TRA interventions are still in an early stage of realisation but are the object of growing demand. In the ACP countries the prospects for the conclusions of EPAs under the Cotonou agreement is stimulating the demand for technical TRA.

### 2. Rationale underlying the identification of TRA (section 4.2)

The justification for TRA relies mainly on the partners' demand, based on their own views. This approach favours ownership and

corresponds to the Commission's stated principles. However, the absence of verification of the analysis supporting the partners' demands provides no evidence that real needs have been strategically prioritised. Programming documents contain little reference to analyses made by or for the Commission, or to work done by other donors.

### 3. The Commission's strategic approach leading to the provision of TRA (section 4.3)

The programming approach differs at national and regional level. At national level it tends to provide ad hoc responses to requests and is not used to increase awareness of the importance of trade in national poverty reduction strategies and other development programmes. At regional level the programming approach reflects a more strategic Commission vision. Articulation between national and regional programmes is weak and does not guarantee that national interventions strengthen regional efforts and vice versa.

### 4. Implementation and results (section 4.4)

Problems, which are not specific to TRA, have been frequently met in terms of rigidities in programming (mainly delays) and of sequencing in project implementation. Notwithstanding these deficiencies, outputs have been delivered, have been used by their direct beneficiaries and have enhanced participation in trade. This positive record in terms of effectiveness has not translated into sustainable impact when implementation was conducted under unfavourable policy or regulatory environments without addressing systemic constraints.

### 5. The need and the demand for technical "subset 1" TRA

The demand for TRA by the partners increasingly relates to technical trade issues. It is stimulated by the WTO accession process followed by many partners and by the bilateral partnership agreements with the Community. Demand for support to

negotiations and technical TRA to improve access to the markets of industrial countries is on a rising trend. The recent programming of the Commission TRA is in response to this trend.

#### **6. Crosscutting issues (section 4.5)**

Although there is awareness of their importance and linkages with trade, these issues are not factored into TRA interventions.

### **0.5 Recommendations (Section 5)**

Based on these conclusions, nine recommendations are formulated to improve the design and implementation of future TRA.

#### **Recommendation 1: Develop a system of accurate recording of TRA.**

This recommendation is important for improving the visibility of the Commission TRA and to provide a better basis for future evaluations. It is recommended in particular that the CRS codes be used for projects and project components. It is also recommended, that, at the level of the CRS codes, data on commitments, engagements and disbursements is recorded systematically so as to allow proper quantification of the efforts undertaken and of implementation progress.

#### **Recommendation 2: Base country/region strategies on a complete trade analysis to improve TRA programming and increase the contribution of TRA to comprehensive trade supportive reforms.**

It is very important to respond to a major weakness of the Commission's TRA: the absence of a clear rationale underlying TRA interventions. Therefore it is recommended, prior to the design of national or regional programmes with a significant TRA content, that an upstream diagnostic analysis is undertaken, framed as a standardised generic trade review covering the main trade policy features of the partner, its institutional environment, its trade performance and the

positioning of trade within its development strategy and policy programmes.

This recommendation is not meant to put an additional burden on the Commission Services because such analysis should build upon existing work undertaken by other donors, the partner country and other sources. A systematic analysis would be in line with the requirements of the Guidelines for European Commission TRA and would ensure that the design of interventions contributes to the elaboration of comprehensive reforms necessary to generate a trade-supportive environment. First, it would permit more sharing, with the partner and other donors, an understanding of the economic and trade situation. Second, it would provide the elements for clarifying and making more explicit the strategy underlying the set of individual activities programmed. Third, it would be an important factor backing the creation of a dynamic policy dialogue around trade issues.

#### **Recommendation 3: Move from a reactive approach to partner's demand towards a more strategic identification and implementation of TRA.**

The design and implementation of TRA interventions require a deep and efficient policy dialogue. A policy dialogue oriented predominantly to the demands of partner countries and regions is insufficient. Partners do not always have a clear view of the potential contribution of trade to sustainable development and poverty reduction. Also, their capacity to comprehensively identify their own needs is often weak. This recommendation therefore calls for a policy dialogue in which not only partner countries and regions express their view but also in which the Commission's understanding and awareness of trade-related issues and partners' real needs is more pronounced.

From this point of view, the potential capacity of the Commission to fuel an in-depth analysis of TRA needs and to share it with the partner countries is clearly underexploited. Within the effective

programming modalities, the Commission has the capacity to impact positively on trade issues and is well positioned to promote further liberalisation and integration compatible with the MTS, mainstreaming trade into development policies and activities.

This should be linked with recommendations 2 and 5 calling for a detailed upstream trade analysis of the partner country or region and greater use of the Commission's knowledge of trade issues. Such dynamic policy dialogue can be only based on a comprehensive vision of the country's or region's trade situation, an exercise for which partner countries and regions mostly have insufficient capacities.

**Recommendation 4: When countries are members of a regional integration organisation, stronger coherence between the respective strategies should ensure the identification of the TRA support needed by each member country to implement the reforms resulting from the agreed regional trade arrangements and commitments. Involvement of the regional institutions in the preparation of the country strategies would facilitate this identification.** In some regions of intervention, TRA is mainly channelled through regional programmes. At the same time, the preparation of country strategies and national indicative programmes of countries belonging to a common regional trade arrangement is largely undertaken independently and without clear correspondence with the regional programme. This creates a discrepancy between strengthening institutional mechanisms at regional level and the absence of the capacity of member states to implement their regional and international commitments. It is therefore recommended that regional integration organisations link the programming of assistance to their member states so that they can help identify the needs resulting from regional arrangements, as well as improving the coordination and the consistency of the response strategies in the CSPs and RSPs.

**Recommendation 5: In order to include TRA as a central focus in the programming exercise, it is necessary to organise the Delegations and the Commission services in Brussels so as to make a better use of resources with knowledge of trade issues.** In the context of the Doha Development Agenda, the Commission has committed itself to increase its efforts conducive to the mainstreaming of trade into development. TRA is one of the preferred instruments of such a policy. The Commission must therefore develop its capacity to handle trade related issues appropriately. This recommendation calls for more efficient allocation of the resources available to the Commission Services. The following suggestions could be operational: (i) reinforcement of in-house training on trade and development, which could be naturally promoted by the inter-service task force recently established, (ii) further elaboration and wide dissemination of the Guidelines for European Commission TRA, and (iii) promotion of TRA programming practices that would draw not only on the Commission's genuine trade-related resources but also on those technical competences that could be appropriately used in TRA programming.

**Recommendation 6: Develop TRA intervention instruments that can be rapidly mobilised or adapted to changing situations.** This recommendation reflects the need for developing instruments to facilitate identification and swift mobilisation of competent expertise, in order to increase flexibility in project implementation and facilitate coherence and continuity across successive and complementary projects. It calls for pursuing initiatives such as the ITC-EC Trade Trust Fund for Asia or the new Framework Contract, lot 6. Moreover, the wider use of Sector Wide Approach (SWAp) to support sector reforms and Budget Aid, as a channel for supporting trade reforms and the integration of the partners' economies into the world trading system, seems particularly desirable. Finally the main TA services should include enough provision of

ad hoc short-term specialised expertise to avoid the need for additional tendering.

**Recommendation 7: Improve sequencing of activities within a particular project or across a set of projects contributing to the same reform(s) and allow for more continuity.** This recommendation aims at tackling the difficulties resulting from inadequate sequencing of activities within a project or from gaps between successive projects. It advocates linking intervention to upstream diagnosis of comprehensive reform needs. For implementation of complex TRA interventions, the critical path of reforms and activities should be determined and the prerequisites for successful implementation should be enumerated. Procedures should be adapted to allow for longer interventions or improved articulation between successive projects addressing the same reform.

**Recommendation 8: Design and implement productive sector development TRA projects taking into account the major trade characteristics of the partner and the constraints of the business environment.** For TRA targeted on the development of the productive sector the following are recommended as a complement to recommendation 1: (i<sup>o</sup>) systematically analyse the evolution of global and regional trade patterns, the revealed or potential comparative advantages, and in general the elements allowing development of the most promising trade development strategies; (ii<sup>o</sup>) better take account of whether the partner belongs to an import-competing or export industry and adapt the intervention accordingly.

It is also recommended that productive sector development projects be implemented when the reforms aimed at creating an enabling business and trade environment are sufficiently advanced to permit their conduct. If it is not the case, these constraints should be addressed simultaneously and the specific projects integrated into a comprehensive reform.

**Recommendation 9: Where the technical capacity of the partner country or region is limited, systematically include technical (subset 1) TRA in the support provided.** An important part of TRA interventions is programmed in countries or regions for which the lack of capacity to comply with the trade regulatory framework and difficulties in understanding and meeting such requirements are major concerns. As these partner countries engage in international trade or in the preparation of trade negotiations (in particular in relation to WTO accession and EPAs) their demand for TRA is growing, especially in relation to technical trade issues. The problem is perceived by the Commission and addressed through the provision of technical TRA programmes, which are currently transversal to activity sectors. However specific projects, particularly those related to agriculture, private sector development and SMEs should systematically provide for an assessment of partner countries' or regions' capacity to handle these technical trade issues and, where necessary, propose related activities.

**Recommendation 10: Develop procedures to encourage the factoring of crosscutting issues in the implementation of TRA activities.** Although Treaties and Regulations require crosscutting issues to be taken into account in the pursuit of the major objectives of economic and development cooperation, they are not really integrated in the Commission's TRA interventions. This recommendation therefore suggests increasing integration of crosscutting issues by (i) promoting tendering procedures, which systematically request consultants to explain how they intend to address cross-cutting issues in TRA activities, (ii) systematically highlighting how cross-cutting issues will be tackled in the operational work plans, (iii) recommending systematic reference to SIAs, when they exist, in the diagnostic analysis and (iv) proposing greater support to help partner country exporters comply with compulsory EU environmental requirements, as well as with social and fair trade voluntary labelling requirements.

# 1. Introduction

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## 1.1 Purpose and background of evaluation

The evaluation of Trade-Related Assistance (TRA) by the European Commission in Third Countries was requested by the Evaluation Unit of the EuropeAid Co-operation Office, approved by the Commission Services and endorsed by the Board of EuropeAid in November 2001. It was launched in December 2002.

The terms of reference<sup>1</sup> assign three major objectives:

- (i) To identify key lessons from the Commission's past co-operation in TRA, focusing on procedures and implementation issues and the way they affected the impact of specific actions against their objectives;
- (ii) To assess and judge the current programming of TRA actions in the new policy context (i.e. following the Doha conference), in particular with regard to lessons learned from the past and to the integration of trade-related assistance in country and regional strategy papers and indicative programmes. This includes examination of coherence with other policies, complementarities with the activities of other donors, and co-ordination issues; and
- (iii) To formulate operational recommendations based on these assessments aimed at improving the design and implementation of future TRA.

The evaluation has taken place in the context of an evolving background situation, characterised by the increasing role assigned to trade in the Commission's economic and development co-operation. Whereas trade has long played a role in European Community development policies, the Ministerial Declaration of Doha as well as the texts of bilateral partnerships (for example, Economic Partnership Agreements under Cotonou, Association Agreements under the Barcelona process, Partnership and Co-operation Agreements with the Commonwealth of Independent States (CIS) countries, etc.) have brought trade to the fore. All these agreements have stressed the need to assist the insertion of partner countries in the Multilateral Trading System (MTS) through the provision of adequate TRA to build capacities and reform domestic policy agendas and regulatory frameworks. In this new environment the European Commission, alone or in co-operation with other major donors, has taken a number of initiatives to mainstream trade into development policies - in particular through the Country Strategy Papers (CSP) and in the Regional Strategy Papers (RSPs) - and improve joint efforts in the trade field (for example through the World Bank-led Integrated Framework (IF) designed to increase the trade dimension of Poverty Reduction Strategy Papers (PRSP), and the Joint Integrated Technical Assistance Programme (JITAP) spearheaded by the International Trade Centre (ITC) of the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organisation (WTO).

However, the translation of these initiatives into concrete TRA programmes is still relatively recent. It is only now that programmes specifically designed as TRA interventions are entering the implementation stage. It is important, therefore, to note that many of the programmes analysed in this report, in particular those in the field of private sector development, were not designed with a trade focus in mind at the time of their formulation. This poses a challenge for the evaluation as it assesses past support against current objectives and guidelines.

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<sup>1</sup> See Annex – Terms of Reference.

As such, the evaluation provides an opportunity to “stockpile” past efforts and assess progress made, with a focus on drawing lessons as a learning experience with a view to improving the future contribution of TRA to development and co-operation goals.

## **1.2 The general context of the Commission’s TRA and approach to programming**

### **1.2.1 The context of TRA**

By virtue of the “communitarisation” of trade policy-making under Article 113 of the Treaty of Rome (Article 133 since the Treaty of Amsterdam), the exclusive mandate it enjoys for negotiating trade deals, and the increasing economic weight of an expanded European Union (EU), the European Commission is a major international player in the area of trade. The Commission’s DG TRADE is the main interlocutor for third countries and regions both bilaterally and in the context of the MTS. Whilst committed first and foremost to the furtherance of a WTO-centred process aimed at freer world trade, the active role played by the Commission in relation to external trade is demonstrated by the fact that the EU has concluded more preferential trade agreements with third countries and regions than any other trading block.

A founding member of the WTO in 1995, the EU was an active participant in each of the eight preceding trade rounds conducted under the General Agreement on Tariffs and Trade (GATT), and has been an active supporter of the broadening of WTO membership since the establishment of the WTO. It has also supported the broadening of the coverage of the MTS, for example as a signatory to the General Agreement on Trade in Services (GATS) and Trade-related aspects of Intellectual Property (TRIPs) under the WTO, and as an advocate of new multilateral rules governing investments, competition policy, trade facilitation and public procurement since the First WTO Ministerial Conference in Singapore.

With regard to promoting exports from developing countries - and particularly the least developed countries (LDCs) - the EU has long made use of non-reciprocal or asymmetric trade deals in line with existing WTO rules. Examples include the Lomé Convention, Generalised System of Preferences (GSP) and Everything But Arms (EBA) initiative for LDCs. However, such preferences had only limited effect in promoting welfare gains among developing country populations. This led the Commission to seek to identify ways of better harnessing the benefits of trade within its “partner-country” development policies, and of helping developing countries to better integrate or “mainstream” trade within their own development plans and poverty reduction strategies. The Partnership or “Cotonou” Agreement signed with the African, Caribbean and Pacific (ACP) group of countries in 2000 and many more recent European Community-ACP Country Strategy Papers (though not necessarily containing trade as a focal sector) are emblematic of this trend.

Meanwhile, after the breakdown of talks at the Third WTO Ministerial in Seattle in 1999, both developing and developed countries, including the EU, have begun more actively to seek means of bridging the development divide in relation to the rules and institutions governing international trade. The Commission has recognised the need to mainstream development issues within the MTS and improve terms of trade for developing countries, including through extensive long-term mobilisation of trade-related technical assistance and capacity building.

In addition to being a leading contributor to the WTO Doha Development Agenda (DDA) Global Trust Fund, the European Community has been a strong promoter of co-operation between TRA

providers, in particular with the Bretton Woods institutions through the Integrated Framework for TRA for LDCs. At the Conference of Monterrey it adopted the Consensus stressing the importance for development of support aimed at removal of supply side constraints to trade and of effective, secure and predictable financing of TRA and capacity building. It has also recently reviewed the issue of TRA in relation to its own development assistance programmes, most notably via the Commission Communication "Trade and Development: Assisting developing countries to benefit from trade", COM (2002) 513.

The Communication recognises the need for effective market access, but also reflects on policy, structural and institutional constraints, the need to enhance effective participation in the MTS and the policy and institutional reforms that are required as a result. In this regard, EU assistance will focus mainly on three areas: 1) assistance for WTO accession and multilateral trade negotiations, mainly through training programmes and contributions logistical costs; 2) support for the implementation of existing and future WTO agreements implying a significant financial effort or which require development of specific regulatory and institutional frameworks; and 3) support for policy reforms and investments necessary to enhance both economic efficiency and greater participation in the multilateral trading system.

In particular, the Communication details the need for TRA with regard to reform of the administration of customs and other trade facilitation measures; assistance in the area of standards and conformity assessment, including intensification of the use of international standards and implementation of the WTO Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary (SPS) Agreements; support for the development of regulatory capacity necessary to undertake and benefit from liberalisation of trade in services; identification of administrative means to facilitate investment flows; programmatic support for investment promotion activities and development of transparent, stable, open and non-discriminatory rules for investors; TRA in the fields of Intellectual Property Rights (IPR) and competition policy; and support to developing countries in legislating for adequate environmental and labour standards.

The Commission has also highlighted the need to improve trade capacity through other forms of trade-related development assistance including promotion of sound macroeconomic and tax policy frameworks, support for restructuring and greater competitiveness of production systems, and greater use of regional integration as a tool for development (for example through the proposed Economic Partnership Agreements under Cotonou).

Notwithstanding the Commission's unambiguous commitment to the objectives of poverty reduction, sustainable development and the successful conclusion of the Doha Round of negotiations based on a balanced outcome responsive to the interests of all parties, at the time of writing talks at the Fifth Ministerial Meeting in Cancún had broken down. In order to revive the negotiations, it is likely that developed countries will have to make more concessions, particularly in the area of agricultural import tariffs and subsidies; that additional resources will need to be mobilised to encourage and equip developing countries to reap the benefits of freer trade; and that greater attention be given to means of simplifying international trade rules and mechanisms and the enhancement of special and differential treatment for LDCs.

## **1.2.2 The Commission programming approach**

Over recent years the Commission has undertaken a thorough review of its approach to trade-related development co-operation activities. Prior to 2000 it may be said that there was no general appreciation of TRA or Trade-Related Technical Assistance/Capacity Building (TRTA/CB) as a distinct set of development activities. Work undertaken by the WTO and Development Assistance

Committee of the Organisation for Economic Cooperation and Development (OECD), itself supported by the European Commission, led to the development of a series of Creditor Reporting System (CRS) codes for the classification of development activities specific to TRA. Building on previous Communications covering regional economic integration among developing countries (COM (95) 219), private sector development in ACP countries (COM (98) 667), and its overall development policy (COM (2000) 212), the Commission Communication on trade and development (COM (2002) 513) paved the way for further refinement of the Commission's approach to TRA. This has included institution of an Inter-services Task Force on TRA and development of a set of Guidelines with a view to improving the quality of TRA delivery. The "Guidelines for European Commission Trade-related Assistance" provide a systematic review of the importance of trade and of the justification for focusing on TRA, and set out methodological principles and some practical tools to help with the design and implementation of TRA programmes.

In addition to improving the visibility, content and effectiveness of TRA, including the use of the above Guidelines and the development of further trade support tools<sup>2</sup>, the Commission has been concerned with the need to attain an appropriate balance between rule making and progressive liberalisation so as to promote sustainable development. Trade policy is viewed as one of many instruments impacting on this overall objective. Accordingly, the EU has been keen on shaping its trade policy within lines compatible with sustainable development and to actively promote initiatives addressing the issue of trade and sustainable development. In particular, the European Union commitment to supporting sustainable trade has been reflected in its intention to carry out Sustainability Impact Assessments (SIAs) of both its multilateral and bilateral trade negotiations.

SIAs are meant to assess the impact of trade liberalisation in economic, social and environmental terms and highlight where flanking measures might be needed to optimise outcomes or offset negative side effects. SIAs (including preliminary position papers on sectoral market access issues, environmental services and competition) are being undertaken on the new round of WTO negotiations, and in relation to trade talks between the Commission and the ACP, the Gulf Cooperation Council and Mercosur. The initial SIA being conducted on the impact of the Doha agenda on sustainable development confirms the importance of the negotiations, the outcome of which may result in significant welfare gains or losses and social and environmental impacts that are either positive or negative. The study equally concludes that securing the potential gains from multilateral trade liberalisation requires that countries have well-developed markets, effective regulatory institutions, and stable and predictable policy frameworks. Where these necessary conditions are absent or weak, it predicts that trade liberalisation is unlikely to be a sufficient condition for achieving sustainable development. Further studies are planned or currently under preparation, as for MEDA countries and India.

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<sup>2</sup> In particular Diagnos II and Trade.Com for the ACP countries. Diagnos II is an instrument, developed under Diagnos I, to take account of the MTS in the analysis of the critical constraints to private sector development. Trade.Com is a set of facilities offered to the ACP countries to strengthen their analytical capacities in the fields of trade-related research, negotiations and institutional development.



## 2. Methodology

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### 2.1 Overall approach and design

This evaluation was conducted in three phases. The first structured the approach and developed the methodology. It involved the following steps:

- an analysis of the overall policy context, in particular the role played by trade in Commission co-operation with third countries, the evolution of the MTS and the main recent international commitments to provide appropriate TRA to assist developing countries seeking integration into the world trading system;
- developing a working definition of TRA was a key element in preparing this evaluation because until recently there existed neither a standard workable definition nor precise project data entry codes for TRA interventions;
- an overview of Commission TRA over the period of the evaluation, based on the working definition and typology in order to identify the main clusters of TRA in the different regions;
- reconstruction of the intervention logic for TRA across the different funding regions, including setting out the key objectives of the Commission's strategy in TRA and assessing the intended impacts related to the objectives;
- the formulation of Evaluation Questions so as to give a more accessible and precise form to the five OECD-DAC evaluation criteria (relevance, efficiency, effectiveness, impact and sustainability);
- the derivation for each Evaluation Question of judgement criteria and qualitative and quantitative indicators to validate them;
- preparation for data collection and the field phase.

This first phase was conducted in Brussels in close liaison with the Evaluation Unit and the Steering Group and involved significant deskwork and contacts with the Commission Services. Two major reports were delivered and approved<sup>3</sup>.

The second phase started with a briefing of the evaluators involved in the field missions with participation by members of the Evaluation Unit. Four field visits (see section 2.5.2) were conducted and complementary documentary analysis undertaken to collect information corresponding to the indicators identified in the first phase. Debriefing sessions were organised in the Delegations at the end of each field visit as well as in Brussels with the Evaluation Unit. At the end of this phase a synthesis note was discussed with the Steering Group<sup>4</sup>.

The third phase consisted of the analysis and synthesis of the results and in the preparation of a series of consolidated summary texts, conclusions and recommendations for the present report.

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<sup>3</sup> *Intermediary Note*, February 2003.

*Final Desk Phase Report*, 16<sup>th</sup> June 2003.

<sup>4</sup> The following reports were produced during this phase:

*Field Mission Report: Mission to Kenya and Zambia 30<sup>th</sup> June-16<sup>th</sup> July 2003*, Revised 26<sup>th</sup> February 2004.

*Field Mission Report: Mission to Tunisia, 20<sup>th</sup> to 29<sup>th</sup> July 2003*, Revised 13<sup>th</sup> March 2004.

*Field Mission Report: Mission to Moldova 17<sup>th</sup> September*, Revised 26<sup>th</sup> February 2004.

*Field Mission Report: Mission to Vietnam 18<sup>th</sup> to 27<sup>th</sup> October 2003*, Revised 4<sup>th</sup> March 2004.

*Synthesis of Facts Finding*, 28<sup>th</sup> November 2003.

Annex B provides a summary of the field missions' main findings.

## 2.2 Working definition of TRA

The Commission, together with other international institutions, has recently established a common definition of TRA - known as the WTO/OECD/EC definition - accompanied by a typology based on CRS codes. These are now widely used by TRA providers as a common and recognised standard.

The definition is the following:

**An activity should be classified as trade-related technical assistance/trade capacity building if it is intended to enhance the ability of the recipient country to:**

- (a) Formulate and implement a trade development strategy and create an enabling environment for increasing the volume and value-added of exports, diversifying export products and markets and increasing foreign investment to generate jobs and trade; **or**
- (b) Stimulate trade by domestic firms and encourage investment in trade-oriented industries; **or**
- (c) Participate in and benefit from the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce.

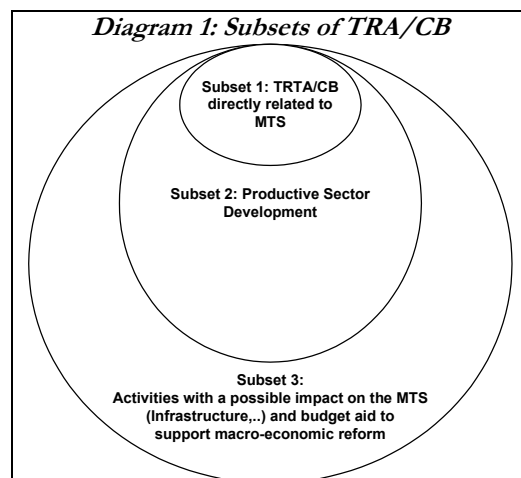
**In addition, the activity should fulfil the following criteria for eligibility:**

- a) Trade-related technical assistance/capacity building is explicitly promoted in activity documentation; **and**
- b) The activity contains specific measures to develop trade policy and regulations, enhance the ability of enterprises to participate in international trade, or increase national capacity to participate in the multilateral trading system.

The WTO/OECD/EC definition is associated with a typology that groups interventions in different clusters corresponding to the domains subject to TRTA/CB. These correspond to two broad categories corresponding respectively to the subsets 1 and 2 of TRTA/CB activities (see diagram 1). The first subset covers political and institutional capacity building, that is measures to help countries adapt their policies and institutions to the processes of rules-based liberalisation under the multilateral trading system; and in particular to accede to, implement and (as applicable) negotiate the various GATT-WTO (and other GATT-WTO compatible) trade agreements. The second subset covers productive sector development (as through export promotion, or the provision of business support services, etc.) that help countries to reap the economic benefits of liberalisation.

As one moves from subset 1 to the periphery, the relationship with the MTS evolves from a direct to an indirect one. The third subset includes activities that are not directly trade-related but have an impact on trade performance such as infrastructure, support to education, etc. This third subset would also include budgetary aid, in support of global macro-economic policy.

The evaluators confirmed that this typology could be adequately used to describe TRA interventions. Moreover, the use of a standard and referenced typology presents an obvious advantage both with a view to collaboration with other donors (discussions, classification and inventory of respective donor interventions so as to avoid unnecessary duplication...)



and the familiarisation with and use of a

common technical terminology or nomenclature in the area of TRA. This last point is deemed important since it could, *inter alia*, play a key role in improving the functionality of the Commission's project database, performance monitoring and analytical capabilities.

Readers are invited to consult the Doha Development Agenda Trade Capacity Building Database hosted by the WTO at <http://tcdbd.wto.org> which in addition to listing recent TRA interventions, describes and gives examples of each TRA / TRTA/CB category and provides links to some of the work of the DAC. For those less familiar with some of the concepts and terminology contained in the evaluation report, the WTO website also contains a useful terminology database of 8,600 trade terms which is updated every month at <http://wtoterm.wto.org>

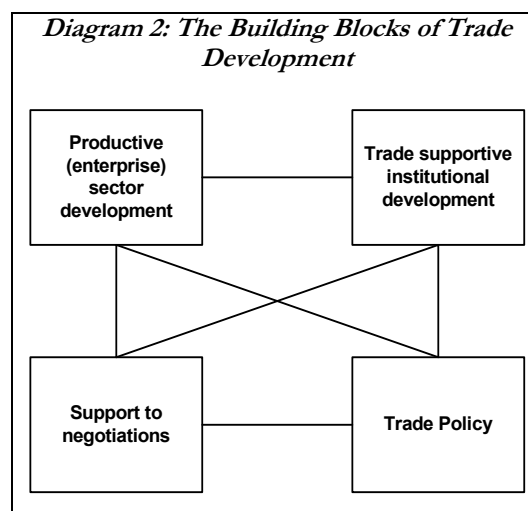
## 2.3 Intervention logic

The reconstruction of the intervention logic was achieved in two stages. The first step was the analysis of the structure of the trade development process, the second involved analysis of how trade inter-relates with the Community's development and co-operation objectives taking into account specific regional foci. The analysis was complemented by a review of the principles underlying the Commission's TRA interventions.

### 2.3.1 The building blocks and the generic logframe of the trade development process

Strengthening external trade development is an integrated process involving several dimensions that can be described as "Building Blocks of Trade Development" (Diagram 2). Each of these "Building Blocks" is necessary to one degree or another, but none alone is sufficient to realise successful integration of the economy into the world trading system. These blocks cover subsets 1 and 2 of diagram 1.

The lower right block is that of trade policy which needs to provide a supportive macro-level or legal and regulatory framework in the context of which enterprises can exploit market opportunities. This concerns trade policy elements such as tariffs, protection structures, preferences, IPR competition policy, rules for inward investment etc., and to some degree may be extended to encompass monetary and exchange rate policies, and also macro-economic and sector policies which send the right signals to operators and encourage development of competitive trade-oriented activities.



Appropriate institutions are an essential complementary component. They include specialised services facilitating trade (export or investment promotion agencies, customs and other trade facilitating operations, insurance services, etc.) in addition to all the institutional actors necessary to enable the private sector to participate in and benefit from market openings in the context of freer trade. A special category of institutional development has been isolated in Diagram 2 in relation to the development of countries' and regions' capacity to negotiate the rules governing trade i.e. to

understand the issues, the rules and their rights and obligations with a view to a) acceding to the WTO and b) influencing its future direction. Support to bilateral negotiations (as in the Economic Partnership Agreements for the ACP) would equally fall within this rubric.

Finally the top left block relates to activities and expected results contributing to strengthening of the productive base which impacts directly on a country's ability to exploit its international trading potential, such as diversification towards tradable goods and services, and strengthening of productivity and competitiveness.

These major ingredients of a sound trade development strategy are found in the generic logical framework for TRA actions supporting the trade development process (Diagram 3).

- The lower part of the log frame is the starting point. It identifies the resources provided in the form of activities undertaken or supported and the results expected from these activities.
- The results of the activities contribute to four groups of intermediary objectives, corresponding to the four building blocks of trade<sup>5</sup>.

Each TRA programme will assign a different weight to these intermediary objectives dependent on two broad categories of factors:

- 1° The diagnosis of the country's present situation, its trading potential (both intra-regionally and with third regions including the EU), and assessment of its main needs in terms of completing its trade development process;
- 2° The priorities of Commission assistance, which may differ from region to region due to specific regional approaches and regulations, and differences in the context of assistance (development assistance or economic co-operation). This point is indicated in the log frame by the oval text box referring to diagrams 5 and 6 that will be commented on later.

One should also observe that a change of focus resulted from the Doha Ministerial Meeting of the WTO. Before Doha, the Commission's assistance was mainly directed to supporting regional integration and strengthening the productive basis; after Doha, in addition to these objectives, which continue to prevail, greater focus was also put on MTS and WTO issues.

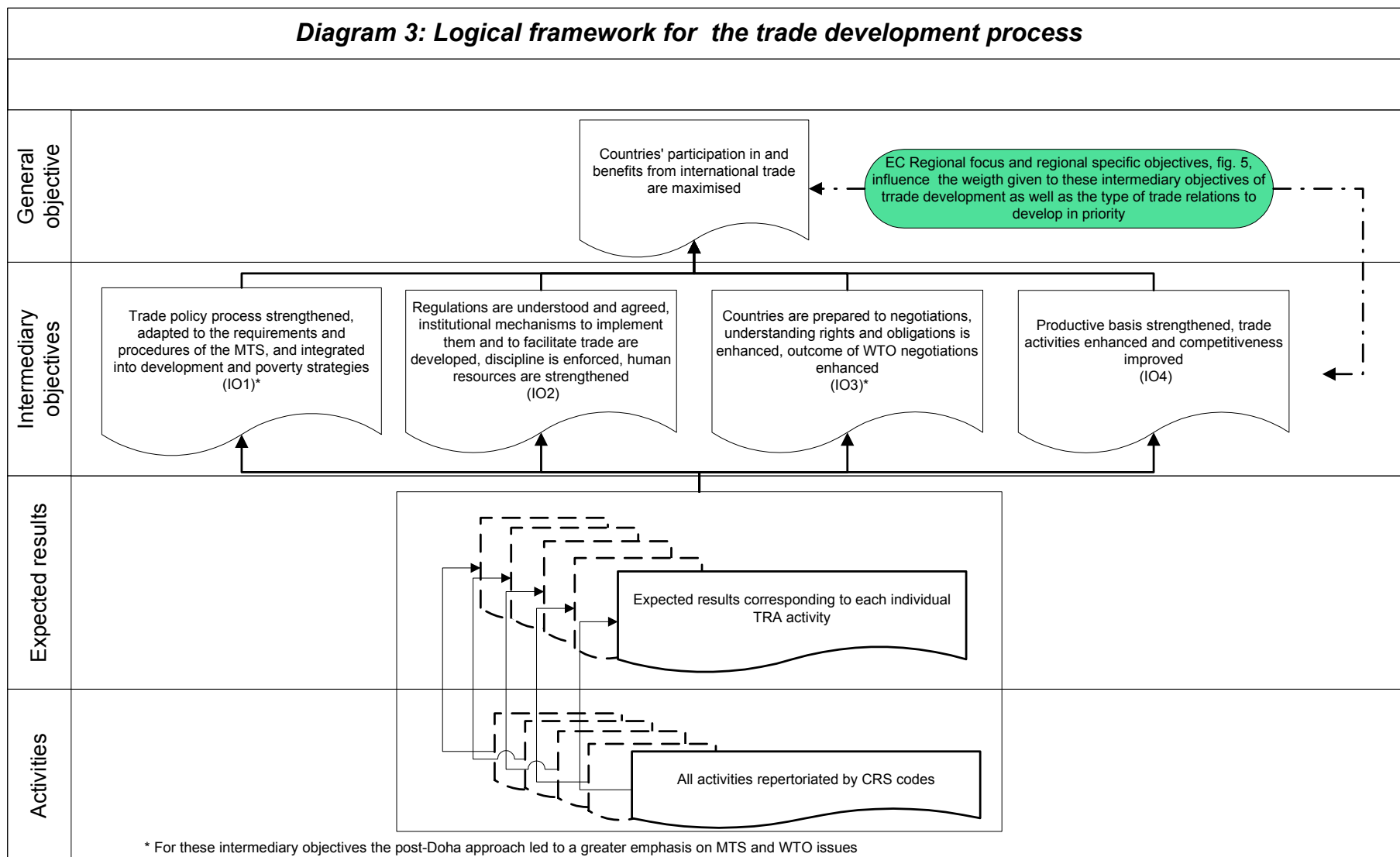
- The general objective of TRA is the maximisation of the trading capacity of the partner region or country, and of the economic (welfare) gains that may accrue from its insertion in the world trading system.

### **2.3.2 Articulation of the generic logframe for the trade development process and the objectives of the European Commission TRA**

Trade development is an objective *per se* and a generic feature of the log frame displayed in Diagram 3. However, when analysing Community funded TRA one has to take into account that the trade development process is also an instrument meant to achieve other, and in some cases superior or over-arching, objectives of Community assistance.

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<sup>5</sup> In order to facilitate further references to these intermediary objectives they have been labelled OI1, OI2, OI3 and OI4.



Under the Nice Treaty (2001), a new Title (Title XXI) was added to encapsulate “Economic, Financial and Technical Co-operation with Third Countries”. Complementary to Development Co-operation (Title XX), Article 181a of the Nice Treaty extends Community co-operation, within its spheres of competence, to negotiating agreements with third countries for the development of co-operation activities under the general objective of ‘developing and consolidating democracy and the rule of law [...] respecting human rights and fundamental freedoms’<sup>6</sup>.

The emphasis placed upon various objectives may differ from region to region. With regard to specific countries and regions, the aims of TRA may be gauged by examining the texts of EU co-operation agreements, the Commission’s national and regional strategy papers and indicative programmes for individual partner countries and regions.

What is common to all regions eligible for assistance and co-operation, however, is a commitment by the European Union and European Commission, post-Doha, to increase funding for trade-related technical assistance and capacity building, and to improve its quality.

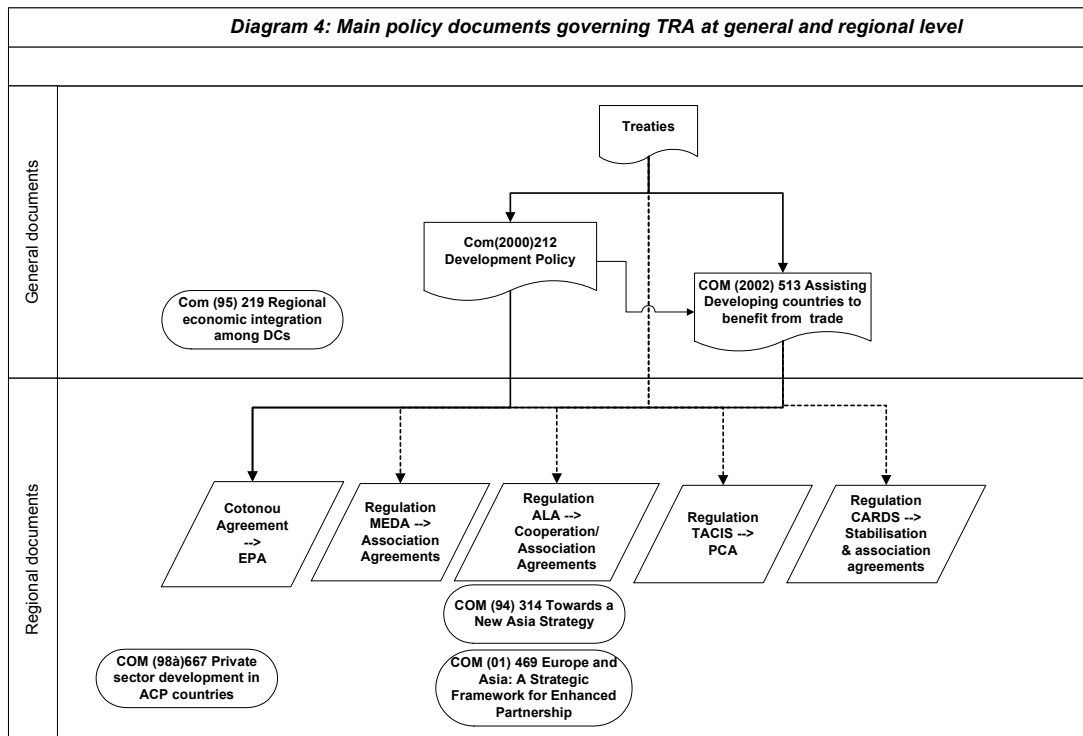
The main regional policy documents were consulted with a view to distinguishing the hierarchy of objectives for each of the different regions under review. The list includes the Cotonou Agreement between the EU, its Member States and the ACP countries, leading to the negotiation of Economic Partnership Agreements, and the regional accords or Regulations providing the implementation instruments for the various Association Agreements (AA) in the Mediterranean countries (MEDA), the Association/Co-operation Agreements in the Asia and Latin America region (ALA), the Partnership and Co-operation Agreements (PCA) in the NIS region (TACIS), and the Stabilisation and Association Agreements in the Balkans (CARDS). As regards the ALA region, the Regulation dates back to 1992, but two more recent Communications of the Commission provided an updating of the strategy governing relations with Asia.

As indicated in Diagram 4, the hierarchical path from the Treaties to the two Communications (212 and 513) and to the Cotonou Agreement is straightforward. For the other regions it is less clear. The Regulations are in line with the objectives of the Treaties but are somewhat independent of Communications 212 and 513, hence the dotted line on the diagram. Two factors may explain this situation.

First, for two regions (TACIS and CARDS) the Regulations prioritise the transition process and the establishment of democratic societies. In that context the development of trade is an essential ingredient in building up a market economy and re-establishing peaceful, mutually advantageous economic links with neighbouring states. These objectives are highlighted in those Regulations but the objective of transversal communications (in particular poverty reduction) are highlighted not at all or to a much lesser extent.

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<sup>6</sup> As highlighted in a recent Commission study, there is no official definition of economic co-operation. The term is used to describe areas of co-operation that vary between the different regions. In terms of the practical use of the concept, operational understandings also differ. However, a core set of components of economic co-operation has been identified and can be summarised as follows: *‘Facilitation of trade between the EU and third countries, and within the regions concerned is one of the main elements featuring economic co-operation in all zones. Direct support for private enterprises is one of the focal areas of the economic pillar of the Euro-Med Partnership. It appears in the relationships with the ACP as a condition for a sustainable reduction of poverty. It is also an important characteristic of the transition process in the CIS and the Balkans, and it is important for ALA as well. The improvement of economic and institutional frameworks is seen in all regions as a major condition for growth. It implies institutional building, economic policy reforms, but also effective public infrastructure and services. Other areas like Addressing social issues and Cultural co-operation could be considered as part of economic co-operation in certain region’*. ‘Clarifying the definitions of the European Commission economic co-operation with third countries’, European Commission (ADE), 2002.



The second factor, implicitly evoked in relation to the Communication on regional integration, is a greater emphasis on (mutually beneficial) economic co-operation in the non-ACP regions.

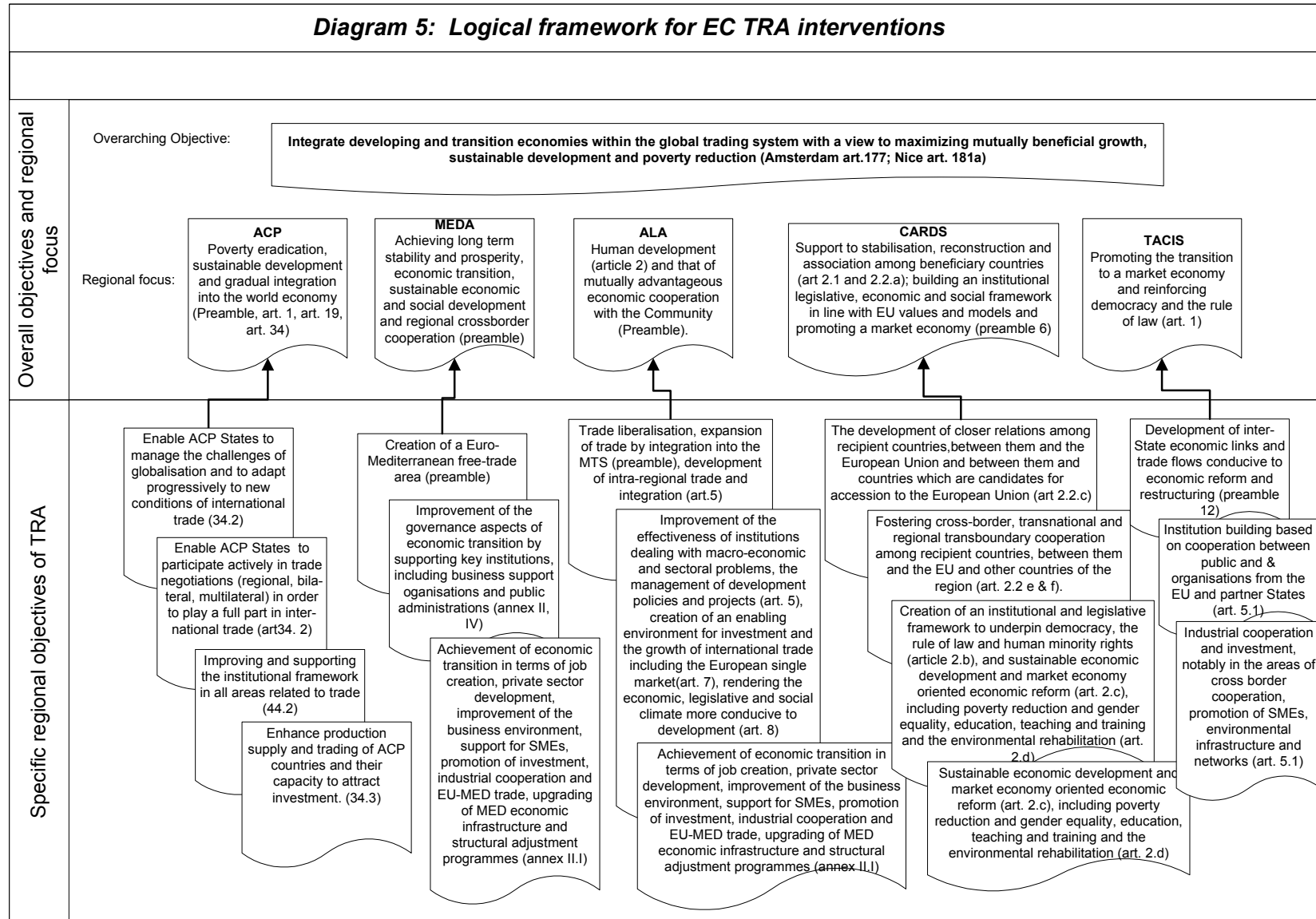
The specific Regulations and agreements applying to different regions give a different “colouring” to the approach adopted to meet the overall objectives. Diagram 5 complements Diagram 3 and illustrates the hierarchy of the overall and region-specific objectives of the Commission TRA interventions. The intervention logic combines the log frames of diagram 4 and diagram 5 in the sense that the intermediary objectives of diagram 4 are given a different weight in the different regions according to the specific regional objectives of the Commission TRA interventions as depicted in diagram 5. These differences in focus and priorities are also reflected in the selection of activities and programmes undertaken.

### 2.3.3 Principles underlying the European Commission TRA interventions

Commission TRA interventions need to be evaluated from a broader perspective than the log frame (Diagram 3), not only because of the regional specificities and hierarchy of objectives illustrated in the partial log frame of Diagram 5, but also because the Treaties and legal policy documents require that a number of governing principles be respected and that due account be taken of essential crosscutting issues. These will be reviewed hereafter:

a) Political commitment and stakeholder ownership

A major principle, which is also a major condition for the success of interventions supported by the Commission, is the strong commitment of all stakeholders to their targeted objectives and to the approach adopted to reach these objectives. This implies maintenance of a continuous dialogue with the governments of the partner countries on the issues raised in the context of TRA, at both programming and implementation levels. Key stakeholders, notably representatives of the private sector, must be involved in this dialogue. The results of this dialogue should be reflected in the programming and implementation modalities.





b) Crosscutting issues

The nature of the overarching objective and dispositions of the Treaties require a number of crosscutting issues to be taken into consideration across the project cycle<sup>7</sup>. The most important are the Environment, Social Issues (including gender), Democracy and Human Rights. It may be observed that the varied focus of the general regional objectives is partially explained by the relative importance given to these crosscutting issues. This is the case for CARDS and TACIS countries where the transition to democratic societies is among the EC priorities set in the EC policy documents.

Among the crosscutting issues, environment deserves special treatment in view of its potential links with trade and the weight given to it by the Commission and EU Member State policies:

- i° Environment is a theme supported by all Member States and is a factor of “European identity”.
- ii° Through its participation at the meetings in Doha and Johannesburg, the Community has made firm commitments to address two issues:
  - Helping developing countries take account of the impact of trade liberalisation on the environment.
  - Ensuring that EU environmental regulations do not impede trade with developing countries (e.g. assistance with the labelling, quality norms, etc.). This requires helping developing countries take account of the impact of environmental regulations on their production patterns and competitiveness, identify beneficial linkages between trade and environment, or adapt their regulatory frameworks.
- iii° The 5<sup>th</sup> WTO Ministerial Conference in Cancun acknowledged the progress made by the Committee on Trade and Environment and reaffirmed the commitment to environmental negotiations.

c) Co-ordination of Member States and other donors

The issue of co-ordination is central to every sector of assistance. Although supporting trade and integration in the MTS was already an objective of the European Commission before Doha, it was identified as a separate area of intervention. Co-ordination was required to avoid duplication and inconsistencies during the pre-Doha period, which covers most of the interventions currently being implemented. After Doha, multilateral approaches have come increasingly to the fore, with the Commission taking a prominent role in the Integrated Framework approach and in the work of the WTO/OECD, among others.

d) Coherence

The Treaties impose the principle of coherence between different Community policies. It is particularly important in the case of trade since some common policies (agriculture, fisheries, etc.) may have effects that impede or mitigate the intended benefits of TRA. The Commission has undertaken little work to review the coherence of the European policy framework, despite the significant body of literature developed by academics and Non Governmental Organisations (NGOs).

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<sup>7</sup> A Guide to the Evaluation Procedures and Structures currently operational in the Commission’s external Co-operation Programmes, CEC, EuropeAid, March 2001.

## 2.4 Evaluation questions

To conduct this evaluation a set of Evaluation Questions was drafted with the view to:

- Providing a readily accessible format for the evaluation criteria;
- Addressing the main issues relating to the Commission's activities in the field of TRA, as understood from the intervention logic and including the governing principles and crosscutting issues;
- Addressing the double objective of this evaluation to draw lessons from the past and to assess current programming.

The Questions cover all the evaluation criteria and the principles (including crosscutting issues) governing the Commission's interventions: relevance (Questions 1 to 3), efficiency (Question 4), effectiveness (Questions 5 to 7), impact and sustainability (Question 8), and crosscutting issues (Question 9).

<b>The Evaluation Questions</b>	
Q1:	To what extent is CEC programming of TRA sensitive to specific beneficiary 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?
Q2:	To what extent is CEC programming of TRA sensitive to specific beneficiary country or region needs including in engaging profitably in international trade?
Q3:	To what extent do diagnosis and analysis practices at 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?
Q4:	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?
Q5:	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?
Q6:	To what extent have TRA interventions enabled countries to articulate their needs and improve their position in international trade negotiations?
Q7:	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?
Q8:	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 the volume, value and direction of trade flows, the redirection of productive activities towards tradable goods, the structure of trade (appearance of new product, disappearance of others), and of foreign and domestic investment?
Q9:	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, and environment?

To answer the Evaluation Questions, judgment criteria were established, in their turn based on selected indicators. The field phase of the evaluation was mainly devoted to the collection of data informing these indicators. The judgment criteria allow links between this raw information and the Evaluation Questions.

The Questions are presented in Annex A. For each Question a table presents the understanding and coverage of the Question, its relationship to the intervention logic, the judgement criteria, indicators and sources, assumptions and comments. The table ends with a short description of the type of analysis required to answer the Question.

## 2.5 Fact-finding methodology and organisation

### 2.5.1 Project and programme sampling

One of the first activities carried out by the evaluation team during the Desk Phase was the elaboration of a “core sample” of TRA interventions with a view to identifying ‘clusters’ of spending commitments, by sector, country and region, and to reconstructing the intervention logic of the Commission TRA with reference to what had been and was being done.

At the beginning of the evaluation, the Inter-services Task Force provided the evaluation team with a list of TRA interventions developed on the basis of its consultations with the principal Commission Services concerned. Since the evaluation covers the period between 1996 and today, the list could be only partially used because it did not provide information on projects completed prior to 2002 - when the Inter-Services Task Force was set up.. The lack of common terminology with regard to funding commitments, and the absence of information on funds contracted and disbursed, posed further limitations<sup>8</sup>.

The evaluation team decided to complete the Inter-Services Task Force list by consulting the Commission’s in-house Common Relex Information System (CRIS) database of projects. However, major obstacles were encountered due to the absence or inaccuracy of CRS codes for TRA projects between 1995 and 2000 (although the Commission is now systematically using CRS codes and in some cases has retro-inputted codes ) and the absence or inaccuracy of data inputted in a variety of other key fields. In addition, the CRIS does not distinguish between types of output; for example the entry for the €250m Industrial Modernisation Programme (IMP) in Egypt (EGY/B7-4100/97/0733) makes no distinction between funds committed in the form of technical assistance, training or structural adjustment funds<sup>9</sup>.

Given that there has been no systematic recording and classification of TRA interventions by the Commission over the whole period of the evaluation, the question of what constituted a reliable base list for the purposes of the evaluation had to be solved. Therefore, the team and the Steering Group agreed to adopt a pragmatic view and construct a “core sample” of about 100 interventions i) broadly reflective of the different kinds “typologies” of TRA undertaken by the Commission; ii) combining ongoing, completed and programmed projects; and iii) weighted according to the concentration of TRA funding commitments across the five regions. The final list validated by the Steering Group contained 28 ACP projects, 22 ALA projects, 18 TACIS projects, 16 MEDA projects and 9 CARDS projects.

The evaluation team then completed the list (set up in tabular form) with information structured as follows: Region, Country, Funding source, Project number, Project title, Project description, Funds committed, Funds contracted, Funds disbursed, Start date of Financing Agreement, End date of Financing Agreement, principal CRS Codes.

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<sup>8</sup> Since the beginning of this evaluation various attempts to provide a comprehensive inventory of TRA have been pursued. To this end the Commission Inter-Service Task Force on Trade and Development has prepared reviews of the TRA in the different regions of development and economic cooperation. (These preliminary reviews have been elaborated in October-December 2003 for West Africa, Eastern & Southern Africa, Central Africa, Caribbean , Pacific, CARDS, TACIS, Asia, Latin America and MEDA. A synthesis note is in preparation).

<sup>9</sup> Although the CRIS foresees “TRA markers” to highlight the trade components of larger programmes, the Commission services concerned hardly make use of these.

In the ACP region the most important category of projects relates to Regional Trade Arrangements (RTA) (10 projects). In the MEDA region the largest group of projects concerns trade development (7 projects). In Asia the largest group of projects concerns accession and technical trade-related issues: IPR, Sanitary and Phyto-Sanitary Measures (SPS), TBT. In Latin America RTA and trade development constitute the majority of projects. In the CARDS region SPS and TBT are the largest group followed by trade development. In TACIS, trade policy and regulations is by far the largest group of trade-related projects since the “PLAC” projects (Policy and Legal Advice) have been classified under this heading. These projects support implementation of the PCA and cover a variety of activities.

In terms of resources committed, trade development is by far the dominant item. This reflects the focus of the Commission on this field but also the fact that these projects are on average of large size. RTAs come second. By region, one can observe that in this sample RTAs mobilise the largest amount of resources in the ACP, while trade development is the most important item in all other regions<sup>10</sup>.

## **2.5.2 Organisation of fact-finding phase**

### ***2.5.2.1 Country case study approach and selection of field visits***

Ideally, the evaluation should have been based on a representative sample of projects. This would have encompassed a large number of field visits, because TRA interventions are very diverse and there are no countries where all types have been supported. However, such an approach was incompatible with the resources available. In absence of a clear delimitation of the entire population of TRA activities, a statistically representative sample was equally not possible.

The Evaluation Unit allowed the organisation of four field visits, one in each of the regions ACP, MEDA, ALA, TACIS. CARDS countries were not included because no significant TRA has been provided so far in this region. In the ALA region, Asia was chosen due to a parallel evaluation of EC support to Mercosur and the fact that “subset 1” TRA activities have been mostly undertaken in Asia.

Bilateral meetings were organised with the members of the Steering Groups with responsibilities in these regions to agree on a selection of field visits.

The following criteria were taken into account to guide the selection:

- TRA coverage: given the limited scope of the missions it was important to select countries with the broadest range of TRA and also to ensure that together the field missions allowed coverage of the widest possible range of specific activities (customs, SPS, IPRs, etc.).
- Importance of commitments and of the content of the programme in terms of TRA.
- Specific country or region characteristics: the field missions needed to cover countries with specific characteristics important from the point of view of TRA: least developed countries, transition countries, countries which form part of a regional trade agreement, countries where the Commission's focus is on economic co-operation and countries where it falls on development assistance.

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<sup>10</sup> The Intermediary note and Final Desk Phase Report contain attempts to draw a “mapping” of Commission TRA interventions by region and by topic in terms of number of projects and commitments. However, the scant information at the time of the study proved insufficiently reliable to draw more than a very general image of the coverage of Commission TRA.

- Balance between projects completed, ongoing and in preparation.
- Feasibility and likelihood of retrieving the necessary information, and of drawing potential lessons in terms of replication and general messages for the evaluation, etc.

At the end of this process it was agreed that the collection of information would be based on four case studies and complementary desk analysis.

1) A combined field visit to Zambia and Kenya to analyse COMESA generally (the Secretariat is in Lusaka) and from the standpoint of two important participant countries, Zambia and Kenya. Bilateral TRA assistance would be analysed simultaneously. Whereas other countries would have deserved a field visit (Namibia, Jamaica, for example), Zambia and Kenya offered the best opportunities to extract reasonable information at limited cost, due to their proximity and the possibility of combining their analysis with that of COMESA.

The ACP region, extending from the Pacific to the Caribbean, mobilising a large share of Commission development aid, deserved more than one field visit. For that reason it was decided to have a mission combining two countries complemented by desk analysis.

2) For the MEDA region, Tunisia was chosen as the region's sample because it offered a number of interesting features for the purposes of the evaluation: an important traditional assistance programme including the European Investment Bank (EIB) intervention, the existence of the Association Agreement with the EU, the membership of Tunisia in the Agadir process (FTA, with Egypt, Jordan and Morocco), and the private sector development and trade orientation of the domestic policy supported by Commission assistance.

3) In the TACIS region Moldova was selected. Though it is certainly not the most significant country in terms of economic or political weight, it is the one with the most significant and diversified TRA assistance programme, including assistance in the area of export promotion and private sector development, support to WTO accession, policy and legal advice, as well as support in the field of standardisation.

4) In Asia Vietnam was selected as a case study. This was due to the fact that Commission assistance to Vietnam included two particularly important and relevant TRA projects - the Multilateral Trade Policy Assistance Programme (MUTRAP) and the Europe Business Information Centre (EBIC), the one focused on support to trade policy and institutional building, the other on productive sector development. Vietnam is also part of two ASEAN regional projects (IPRs, Standards) and the programme Asia-Invest<sup>11</sup>.

### ***2.5.2.2 Briefing of evaluators and conduct of field visits***

The evaluators elaborated a "Guide to fact finding" in preparation for the field missions. The Guide explains for each indicator the link to the associated judgement criteria and Evaluation Questions, the level of analysis to be conducted and the type of information to be collected for that indicator. For each indicator it also identifies a number of Evaluation Questions meant to help structuring the interviews and meetings with focus groups. The answers to the questions set out in the Fact Finding Guide, as collected from the field missions and complementary documents, constitute the raw material annexed to each field mission report and allowed tracing of the origin of the facts used in this evaluation. A briefing with the evaluators and the Evaluation Unit was held in Louvain-la-Neuve, Belgium. Members of the core team who had elaborated the methodology led

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<sup>11</sup> Association of South East Asian Nations.

the field visits and each evaluator participated in two field missions. This ensured homogeneity and consistency throughout the whole exercise.

The four field visits were conducted as case studies, employing structured interviews and meetings with focus groups as the main tools. The field mission reports provided an analytical overview of the economic and trade background of the country or region visited, a synthesis of Commission assistance with a focus on TRA and a synthesis of the major findings. As already mentioned the detailed information corresponding to the Fact Finding Guide (long questionnaire) was given in the annexes.

### **2.5.2.3** *Evaluability*

The theme and the period covered by the evaluation, as well as the diversity of the composition of TRA, impose limits on its evaluability. This is an evaluation of trade-related assistance, not a policy mix evaluation of trade and development. The present evaluation is primarily concerned with the support provided to the countries in view of their integration into the world trading system and the reforms of their domestic policies.

The evaluation covers interventions since 1996. Over this period the Commission's approach to TRA has evolved considerably. Many interventions, particularly private sector support, were designed or implemented in the period 1996-2000 before the establishment of formal linkages of interventions to trade objectives.<sup>12</sup> The focus of the evaluation is therefore more on learning than accountability.

Finally, the very diverse composition of TRA limits the general applicability of some conclusions. Transposition of lessons from customs to SPS may not be legitimate, for instance. Conclusions derived from analysis of particular TRA interventions are only valid for the category of TRA under review (unless otherwise specified).

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<sup>12</sup> The formal linkage is established by the Communication of the Commission "Trade and Development: assisting developing countries to benefit from trade", COM 2002/513 and the subsequent Guidelines for European Commission Trade-related Assistance, version 1.0, May 2003.

## 3. Main findings and analysis

### 3.1 Relevance of TRA interventions (Evaluation Questions 1, 2 and 3)

#### Answer to Evaluation Questions 1 to 3

**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.

### 3.1.1 Coverage of the Evaluation Questions

The first three evaluation questions concern the programming and identification stages of Commission TRA activities. They are meant to verify if the underlying *diagnosis* is appropriate to identify the needs and priorities of the partner country, and how far the *response* offered is consistent with the diagnosis, taking into account the Commission's own priorities and objectives and its co-ordination with the activities of other donors.

The questions stem from the objectives and recommendations of the Communication from the Commission on Trade and Development.<sup>13</sup> This document proposes "a stronger emphasis on trade issues in the dialogue on PRSP, or equivalent strategies". In particular the Communication views the CSPs/RSPs as the vehicle for channelling integration of trade into the national development policies of the partner countries, an exercise which should be based on the specific needs of each country. The mid-term review of the CSPs/RSPs launched in 2003 is focused on those aspects, and the Guidelines for European Commission TRA have been drafted to enhance the Commission's capacity and effectiveness in designing and implementing TRA programmes.

These documents provide a basis for determination of the analytical requirements and preliminary diagnosis necessary to guide the provision of TRA. All the judgement criteria associated with Evaluation Questions 1 to 3 are directly derived from the Communication<sup>14</sup>. The fact that the Communication and the subsequent Guidelines for Trade-related Assistance date from 2002 and 2003 whereas the evaluation covers activities since 1996 does not prevent use of the judgement criteria and related indicators but does influence the interpretation of the findings. It is useful, for example, to verify how the analytical foundations of TRA provision and the Commission's response to TRA needs match the requirements of the new objectives over the course of the evaluation period to draw lessons for future actions. The fact that many activities were prepared and implemented at a time where TRA was not commonly recognised as a distinct form of intervention or transversal development policy objective does not invalidate the findings, but makes it more appropriate to draw lessons than criticize past interventions undertaken under a different intervention logic at the time of their programming and formulation.

### 3.1.2 Relevance of the diagnosis

Trade is meant to contribute to the overall objective identified in the reconstructed logframe (see diagrams 3 and 5) of integrating developing and transition countries into the global trading system with a view to maximizing mutually beneficial growth, sustainable development and poverty reduction. The attainment of this objective requires a deep understanding of the economic situation and development potential of the partner countries. The evaluation has therefore examined how the trade-development nexus and the trade policy of the partner is analysed, and to what extent the consultation process conducted with the partner leads to a correct identification of his real needs in terms of TRA, including consideration of the crosscutting issues.

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<sup>13</sup> COM (2002) 513 final.

<sup>14</sup> The judgement criteria (see section 2) are the analytical keys allowing the raw information collected through indicators to be converted into answers to an evaluation question. For each evaluation question, Annex A includes the corresponding judgement criteria and indicators. When conducting the analysis it appeared that grouping some judgement criteria would help clarifying the answer to the evaluation questions.



### 3.1.2.1 *Analysis of the trade situation and trade policy of the partner country*<sup>15</sup>

The existence of and reference to a comprehensive analysis of the situation and the needs of the partner country or region stem directly from the focus of the European Commission TRA as described in COM 2002 (513)<sup>16</sup>. The Guidelines for European Commission Trade-related Assistance rightly point out that *it is important therefore to ensure that the trade capacity programme is based on good analysis and set within the broad development framework of the country*, and they include a comprehensive technical note with a long list of key questions to consider in the identification process<sup>17</sup>.

None of the CSPs analysed (Kenya, Moldova, Tunisia, Vietnam, Zambia) includes systematic presentation of key trade policy aspects such as the tariff structure and its main characteristics, evolution of the effective rate of protection, the principal instruments of trade policy used, fledgling industries or industries requiring special treatment or protection, main trade-related incentive measures, or local IPR legislation. Where this analysis exists, elements of trade policy analysis are limited to general statements on the progress of liberalisation and the prospects for the main trade negotiations (the Kenya CSP is such an example although trade is a significant activity in the country, accounting for 30%<sup>18</sup> of GDP). The relative importance or value of different trade policy, regulatory and institutional strengthening options in maximising the wealth effects of liberalisation is never assessed. In most countries and regions there is no analysis of rules of origin, customs valuation and clearance systems.

Where the Commission is supporting regional economic integration, the evaluators were not aware of any attention having been given to competition policy. Where information is provided in CSPs and NIPs, it is often partial, focussing on bilateral trade flows and disseminated through the programming documents whose structure is not designed to review the main trade policy features of the partner country. This is true even in countries where Commission support is focused on trade-related capacity building, e.g. Vietnam, or where institutional capacity is generally recognised as weak and where a number of projects support institutional development in trade-related areas, like Moldova. Also, in most cases the TORs of the projects reviewed contain no or little analysis of the partner country's existing trade policy but recognise that it is weak and needs to be built up (Kenya, Zambia).

In the absence of a comprehensive review of partner countries or regions' trade policy, the Commission programming documents refer to isolated elements, such as the trend of certain countries or regions toward liberalising market access in general; or steady progress in implementing a regional trade agenda, including harmonisation of trade and tax policies, harmonisation of customs procedures and related legislation; or the design and implementation of investment policies. Whereas all these points seem interesting and relevant there is neither a systemic approach nor justification of why one and not the others are retained. A lack of benchmarking or meaningful base line assessment (beyond basic import-export data) makes it difficult to draw conclusions as to the intended impact of TRA offered.

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<sup>15</sup> Based on indicators I11, I12, I2, I10.

<sup>16</sup> In particular §3.3 of that document, summarised in §1.2.1 of the present report. Guidelines, op.cit, Technical note 1-The Trade Policy Process.

<sup>17</sup> Guidelines for European Commission Trade-related Assistance, May 2003, §3.2.

<sup>18</sup> Average openness ratio over 1999-2002.

The analysis of the trade-related institutional framework reflects similar weaknesses<sup>19</sup>. Given the particular inter-disciplinary/transversal feature of most trade-related issues, the understanding and assessment of institutional mechanisms linking the different authorities involved is an important element for consideration in the programming process. Other donors are sensitive to this issue. The British Department for International Development (DFID), for instance, has developed a central approach with a systematic institutional review of all the institutions and agencies involved in trade policy design and management.

For some countries (Moldova, Tunisia, Vietnam), programming documents refer to the main international or interregional commitments to which the partner country or region is party. For others (Kenya, Zambia), the main international commitments of the partner's country or region are not identified in the programming documents.

In contrast with what is done at country level, regional programming in COMESA is based on an underlying analysis which is systematic and regularly updated in the context of the Commission's support to regional integration in Eastern and Southern Africa. The elaboration of the road map to the customs union is a product of this approach and allows assistance needs to be identified and framed in the context of activities undertaken by the regional Secretariats.

These differences in the analysis of the trade situation, the trade-related institutions, and the focus on trade issues in the partner's economic policy, further underscore the absence of a standard assessment process. The recently issued Guidelines for European Commission Trade-related Assistance, which were not available at the time the TRA actions evaluated were programmed, do provide a checklist, the use of which should in future promote harmonisation of the assessment process<sup>20</sup>.

In most cases, the assessment of productive sector capacity is correct but probably not sufficient to effectively programme TRA. Programming documents may contain a description of the economic situation of the partner country or region with some references to trade performance but there does not seem to be a systematic approach in the identification of the trade background and the challenges faced by the productive sector of the country or region. Programming documents rarely go beyond mentioning the need to diversify and expand export capacity, including the development of new markets within the enlarged EU, or the identification of the main factors limiting market access. Basic trade performance indicators such as a country's or region's balance of payments situation, the evolution of trade patterns, or revealed and potential comparative advantage are not systematically recorded in programming documents. Similarly, sectors featuring comparative (dis)advantages are not identified and no analysis of a trade strategy addressing the specific challenges of these sectors is provided. Where such analysis exists in other documentary sources these are not referenced in CSPs, RSPs, National Indicative Programmes (NIPs), Regional Indicative Programmes (RIPs), or PRSPs, yet such analysis could provide partner countries and regions with a significant strategic boost.

In the absence of Integrated Framework initiatives or Trade Policy Reviews (TPR), diagnostic studies of this type were unavailable in the countries visited, and although the Guidelines for European Commission Trade-related Assistance provide recommendations on how to conduct a

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<sup>19</sup> CSPs/RSPs do normally include an assessment of the institutional capacity of the country or region to implement the envisaged strategy. This assessment, which can be thorough as in the CSP Zambia, is nevertheless not trade specific and does not provide a view of the overall capacity to formulate and implement its trade policy. At regional level the capacity of the regional institutions to conduct their specific mission is well analysed.

<sup>20</sup> See Guidelines, Technical Note 1, section 2.

review of the trade policy process, they do not prescribe an analysis of the trade situation of the partner country<sup>21</sup>. This may result from an implicit assumption that such analysis exists in the country and can be used without further scrutiny. In practice however, it was observed that only few elements were available or used without a critical assessment on the part of the Commission. Finally, their treatment and use is not the object of systematic guidelines.

### ***3.1.2.2 Assessment of partners' needs and of the cross-cutting issues***<sup>22</sup>

In all countries and regions visited there is evidence of extensive consultation at the time of programming. Governments, Government agencies and inter-regional organisations are the main interlocutors of the Commission as principal partners in the co-operation process and the most natural implementing agencies. There is evidence of consultations with other stakeholders, civil society and business operators. The consultation process is felt to have considerably improved since deconcentration and contacts with national authorities in particular now take place on a more regular basis. The results of discussions with local agencies are largely factored into the project Financing Agreements (FA) and Technical and Administrative Provisions (TAP) of individual projects although some government authorities complained that the drafting of these documents should be more inclusive, affording the executing agency or the partner a greater say in their specific formulation, rather than being written at a distance by consultants or by the European Commission's Services in Brussels.

However the way in which the Commission selects parties to such consultations varies and is not based on established criteria. In the preparation of the country strategy, the evaluators generally found that within civil society farmers, manufacturers, service providers and traders were under-consulted, although they are more likely to be associated with the formulation of specific private sector interventions (albeit indirectly through industry associations). Even here, however, the selection process is not typically based on an *a priori* identification and analysis of the main actors in the different fields. A particular problem is raised at regional level because regional interest groups are less numerous and extremely difficult to consult.

Where existing documents, studies and analyses are available the Commission Services interviewed felt that they were sufficiently factored into project design. However, the frequent absence of bibliographical references or inclusion of detailed first-hand analysis in project identification and formulation reports makes it hard to check project documents against the underlying texts. In practice only interviews with the persons (often consultant experts) involved in the programming process allow to tracing back of the analysis supporting the programmes' diagnosis.

Up to now no procedures or instructions have been issued prescribing a structure and methodology for the realisation of diagnostic and analytical surveys shaping the programming of TRA. The Guidelines for European Commission Trade-related Assistance that have recently been finalised and circulated to the Delegations are seen to provide a useful reference point and means of creating a broader common understanding for the programming of TRA. Yet, to date, with few exceptions, programming of TRA has been carried out without the benefit of these guidelines<sup>23</sup>. The findings of this evaluation indicate that their use would have allowed considerable improvement in the programming of TRA activities, not least because it would have imposed a more systematic and comprehensive approach.

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<sup>21</sup> Technical Note n° 1 appended to the Guidelines.

<sup>22</sup> Based on indicators I13, I14, I15, I16, I20, I18, I19

<sup>23</sup> For instance, in Vietnam the Guidelines are effectively used in current TRA programming.

The extent to which programming documents reflects the needs of the partner country or region is variable. TRA programming documents often provide lists of TRA needs without specifying whether the list is exhaustive or limited to the demands addressed by the partner country or region to the Commission and considered as reasonable by the latter. In most cases (e.g. EBIC, MUTRAP II in Vietnam) the detailed analysis of the partner's needs is done within the context of the project, generally during the inception phase. Different cases were encountered during the field missions:

- In Vietnam and COMESA, selected and relevant trade questions are explicitly referred to as issues requiring TRA;
- In the other visited countries, the programming documents refer in general terms to the country's or region's trade challenges, and sometimes provide for actions which are to be qualified as TRA but are neither identified as such nor explicitly related to trade issues.

References to crosscutting issues vary across countries or regions. For the COMESA region, the RSP/RIP, in addition to proposing specific interventions in environment, gender and capacity building, recommends that they be treated as crosscutting issues in all programmes<sup>24</sup>. Gender, environment and social issues are taken into account in the CSP for Moldova and in the TACIS regional strategy but not in relation to TRA. In Tunisia, although the AA contains several articles covering crosscutting issues, they are not identified nor analysed in relation to trade in the recent programming documents, for instance the Industrial Modernisation Programme (IMP) in Tunisia, or the Programme to Support the Association Agreement (P3A).

### 3.1.3 Appropriateness of the response

The appropriateness of the response offered in terms of TRA is assessed from the point of view of its adequacy to real priority needs and the objectives of the partner, its articulation with the analysis and actions of the other donors, and its compliance with the Commission's objectives.

#### 3.1.3.1 *Articulation on partner's priority needs and objectives*<sup>25</sup>

The major finding is the different programming approach at country and regional levels.

At country level, in all cases examined in this evaluation the Commission response proved sensitive to the partner's requests and priorities. The interventions offered are most generally in response to specific demands from the beneficiaries (this was the case of all the TRA projects analysed in Vietnam (with the possible exception of the EBIC), Kenya, Moldova, Tunisia and Zambia. However, in view of the weaknesses of the underlying diagnosis, the absence of analytical substantiation of partner-formulated requests, and the lack of capacity of many countries to mainstream trade into their poverty reduction strategies, providing TRA mainly in response to demands, does not guarantee that it (i) prioritises needs, (ii) encompasses the reforms needed to accompany TRA interventions to mitigate their consequences or increase their benefits (e.g. adaptation of a domestic fiscal response in parallel with tariff changes); (iii) takes into account the policy context developments likely to affect negatively or positively the implementation of the TRA activities themselves.

At regional level, in particular in the ACP countries, the Commission takes a more proactive approach to mainstreaming trade into the programming exercise. The regional strategy papers

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<sup>24</sup> However, without recommending how this is to be done, see section 3.5.

<sup>25</sup> Based on I20, I17, I15, I6, I18, I19.

systematically focus on trade issues and are frequently supported by a thorough diagnosis study<sup>26</sup>. TRA is always a central part of the assistance offered and the Commission aims at promoting regional integration based on open regionalism and focusing on support for regional integration organisations, which are then used to identify and channel TRA interventions. This pro-active approach can be explained by the comparative advantage and experience of the Commission in these realms and, in contrast to country programming, leads to a quite articulate definition of TRA content in the regional programmes.

It is noted that for the ACP countries the European Commission TRA interventions are mainly programmed and implemented at regional level. As a result, mainstreaming trade into national development strategies and in particular PRSPs is seldom supported by the European Commission TRA activities. Countries in which the Commission is supporting the Integrated Framework are often exceptions to this. This constitutes an important drawback, as it is probably in ACP countries that the need to increase both sensitivity to trade issues and their use as a development instrument is most pressing.

### ***3.1.3.2 Articulation on other donors responses<sup>27</sup>***

Each country or regional strategy includes a matrix referring to the assistance provided (or planned) by other donors. This is not sufficient to ensure that the combined interventions of all donors work to deliver comprehensive and consistent reform in tune with the priorities of the partner government. The donor matrix does not provide any diagnosis of donor interventions and is limited to recording the general focus of different projects. The absence of shared diagnostic practice between donors and with the partner government is an important issue in terms of policy dialogue and co-ordination among donors because it limits the likelihood that all identified needs will be covered. The Integrated Framework is a first attempt to move beyond this.

The limited references to other donor activities in the Commission programming documents also make it difficult to appreciate how interventions complement the broader range of assistance projects undertaken within a particular country or region. Schemes aimed at improving co-ordination between donors have been established in all countries/regions (monthly meetings, seminars, workshops, etc.) and reflect the concern of the Commission Services to improve co-ordination. Nevertheless, the extent to which they effectively lead to co-ordinated activities is unclear. For instance, in Moldova several donors expressed the view that Commission participation in the policy dialogue was insufficient in view of the size of its assistance and its potential political leverage. In Kenya it was recognised by the Commission Services and donors interviewed that information sharing took place but lacked actual co-ordination. In Vietnam and Tunisia co-ordination efforts were mostly restricted to meetings between the Commission and the EU Member States. In some cases (e.g. Vietnam) the large number of donors present in the country makes it difficult to co-ordinate effectively (beyond basic sharing of information) and requires project staff to undertake considerable downstream co-ordination as a part of work planning and implementation.

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<sup>26</sup> Typical examples are the diagnostic studies carried out for the IX EDF Regional Strategy Papers for the Caribbean region and for the West Africa region.

<sup>27</sup> Based on I4, I5, I3, I7

### ***3.1.3.3 Compliance with the Commission's own objectives and priorities***

The Commission's assistance strategies always include references to the overall objectives of the Treaties and the Communications: poverty reduction and sustainable growth, assistance on integration into the world economy, and consideration for crosscutting issues. While it is evident that all the programmed activities can be justified in respect of these objectives, questions may be raised:

- Whereas the link between trade and growth is fairly straightforward, the subsequent link from growth to poverty reduction is far from being automatic and is dependent on a variety of other factors. This can explain the relatively low focus on trade in the pre-Doha period, and also in many cases in the older PRSPs.
- Lack of consideration for crosscutting issues in TRA projects may appear negative but reflects both the difficulty of grasping the exact interface between two extremely complex matters, trade and cross-cutting issues, and the fact that cross-cutting issues are often tackled through other dedicated (albeit non-TRA) projects.
- TRA interventions are too often programmed in isolation rather than in a comprehensive framework of reforms and this is a major limitation to their contribution to the Commission's overall objectives.

This leads to the observation that improving compliance of Commission TRA programming with overall technical assistance objectives requires a deeper understanding of the complex links between trade and poverty, and trade and crosscutting issues, and a closer and broader analysis of the country or regional situation.

### **3.1.4 Overall assessment of relevance**

As previously stated, TRA programmes largely correspond to needs expressed by the partner country or region. Yet the manner in which trade issues are programmed can be questioned. Although Commission programmes have addressed trade-related issues in the past, TRA has only recently been recognised as a specific domain requiring specific competences and understanding. In the past, interventions were rather tuned in the tradition of Structural Adjustment Programmes or simple business upgrading with little attention to other aspects of the trade environment and little technical assistance or capacity building programmes in the subset 1 of TRA as defined by the WTO/OECD/EC. This situation is rapidly changing and trade issues are increasingly factored into the Commission's programmes. The creation of an inter-service thematic task force, responsible for economic and trade co-operation, design and development of the Guidelines and the institution of inter-services contact groups should be supportive of this trend. At the time of the present evaluation, however, the coverage of trade issues and treatment of TRA in the essential programming, identification and formulation stages of the project cycle was not systematic, and the log frames (goals, deliverables, objectively verifiable indicators and means of verification) for most projects remained vague and were not clearly related to an established underlying strategy.

As a result, if programmes correctly identify some of the problems at stake, there is room for the adoption of more integrated approaches and for more pro-active (as opposed to reactive) interactions with governments, beneficiaries and other stakeholders.

## 3.2 Efficiency of TRA implementing modalities (Evaluation Question 4)

### Answer to Evaluation Question 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 .*

### 3.2.1 Coverage of the evaluation question<sup>28</sup>

<sup>28</sup> In assessing efficiency it is useful to distinguish between findings of a general nature and those specifically linked to the delivery of TRA. The period under review by the current evaluation, that is to say from 1995 to present has been characterised by successive waves of restructuring within the Commission services responsible for the delivery of external assistance including TRA. The restructuring process, including the creation of the Common Service for External Relations (SCR) in 1998, of DG Trade and the European Co-operation Office AIDCO in 2000, the dismantling of key extra-muros technical assistance offices (e.g. the MEDA teams in 2001) and the phased process of "deconcentration" from 2001 to 2003, whilst likely to bear dividends in the medium-term, has resulted into a considerable staff turnover, lack of continuity and evident lack of technical knowledge, experience and administrative familiarity (given the new and evolving practices and procedures) among the Commission staff. As such, the main criticisms of the 2000 White Paper "Reforming the Commission" and 2000 Communication "Reform of the Management of External Assistance" (that the growth in EC external assistance has outstripped the pace of administrative change, that staff shortages have had a direct and negative impact on the speediness and quality of aid delivery, that overload has weakened the Commission's proper financial and political control over implementation of its aid, that the effectiveness of Community aid management has been undermined by slow implementation and weak

During the four field missions, the evaluators sought to answer this question by examining the features of the implementing modalities of Commission TRA as well as the selection and mix of the inputs provided and the way they were mobilised to achieve the expected results.

The efficiency of the Commission's TRA interventions has been assessed with particular regard to the appropriateness of programme or project inputs and resources in terms of quantity and quality as well as management flexibility and capacity to adapt to possible changes in partner needs. Other key efficiency factors are the extent of interaction between project implementation and the partner's activities, co-ordination with other donors and the adequacy of the channels through which the programmes or projects were implemented.

### 3.2.2 Appropriateness of programme inputs and mix of inputs<sup>29</sup>

The principal instrument used for TRA delivery has been grant-financed technical assistance projects based on publicly tendered service contracts. However, the size and scope of projects differs markedly, from the vast industrial modernisation programmes launched since 2001 in the MEDA region (covering all areas of private sector development, including areas such as trade development, standards and IPR) or programmes providing extensive private sector development, WTO and EPA support for the ACP, to smaller "single issue" projects requiring only modest funding such as developing a Single Administrative Document (SAD) for Customs in Tunisia, the European Business Information Centre (EBIC) in Vietnam and similar Centres located in other Asian countries. Projects also cover the full range of typologies (such as MTS and productive sector sub-sets) of TRA.

However, project size does not appear to be a significant determinant in the delivery of TRA. Rather the appropriateness of programme inputs more directly reflects the appropriateness of the original project design and implementing structures. In many cases, implementation difficulties were indeed attributable to the fact that some crucial conditions for smooth running of projects had not been identified in the first instance. For example many of the business centres in the MEDA region suffered lengthy delays in implementation that were only overcome with the institution of a specific private sector development framework contract for the region some time after their original design. In the specific case of ETE in Tunisia, shortcomings in programme formulation, in particular the agreed distribution of tasks between the PMU and the Tunisian Ministries agencies, implied that the implementing structures and legal basis of the project remained unclear, leading to a two-year implementation delay during which the technical assistance team at the PMU had already been mobilised and was invoicing the Commission. Other PMUs in other countries of the region have faced similar problems.

Thus the facts collected during the field visits do not point to a lack of resources in relation to the expected results. Parties interviewed as well as documents consulted (monitoring and evaluation reports when available<sup>30</sup>) indicate that the level of funding *per se* did not constitute an obstacle to realisation of project objectives and that the inputs provided allowed attainment of these objectives. Moreover, it was observed that the complementary support of EIB loans was usually well linked to

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programming, and that the fragmentation and instability of the administrative structures have diluted responsibilities) are all clearly recognisable when examining the provision of TRA in the period since 1995.

<sup>29</sup> Based on indicators I27, I28, I29, I30.

<sup>30</sup> See for instance, Monitoring Report, Vietnam – VNM - Multilateral Trade Policy Assistance Programme (MUTRAP), MR-20037.01., EBIC, Fourth Six Months and Final Report 2001-2003, September 2003, MEPO, Monitoring Report MR-40463.02. 27 June 2003, Support to the establishment of the Kenya Institute for Public Policy Research and Analysis. Contract TA/03/00, Final Report on Completion of Assignment, September 2001.



private sector and export promotion projects. However, the use of resources revealed inefficiencies, with PMUs failing to deliver the expected results fully and in a timely manner whilst several parties interviewed expressed concern about the manner in which budgets were allocated, as for example the relative financial resources budgeted between project management and assistance activities carried out. To some degree this is also linked to the time and resources required to meet the Commission procurement rules, financial management and reporting requirements. In the absence of dedicated framework contracts, PMUs are required to follow the Commission's competitive negotiated procedure, a process that routinely takes 6 months to be completed. From this point of view, the Commission tendering processes compare unfavourably with those of other international donors in terms of the time and inputs required to administer them and the paperwork demanded from consulting firms in response.

In terms of the activity mix per se, project inputs were generally well tailored to realisation of the objectives. WTO accession and development of compliance with product standards for export markets were supported by direct technical assistance along with training and seminars; support to private sector development focused on business upgrading and promotion of a business-conducive environment; while support to regional integration was backed by activities aimed at strengthening the regional institutions concerned. In each case this was seen as an efficient allocation of resources.

The Commission has been intervening over a relatively long period in the specific area of trade facilitation, customs reform and modernisation, as compared to other subset 1 TRA domains<sup>31</sup>. The analysis of the customs projects provides useful lessons. In contrast with the "best practice guidelines" published by the World Customs Organisation (WCO), many of these interventions have not been based on a global analysis of the contribution of custom institutions and procedures to the fulfilment of the international obligations of the partner countries concerned, nor to the development of their trade capacity and ability to sustain the projects after the termination of the intervention<sup>32</sup>. Due to the lack of global analysis, the evaluation found that customs projects have been designed with insufficient regard to the correct sequencing of activities, political commitment, and downstream institutional and financial prerequisites for implementing such reforms. Such diagnostic deficiencies naturally lead to inappropriate project designs and impede the efficiency, effectiveness and sustainability of the projects concerned<sup>33</sup>.

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<sup>31</sup> In particular in Eastern and Southern Africa and in West Africa.

<sup>32</sup> Reforms have generally been limited to the implementation of standard computerised systems (ASYCUDA) or, more recently, and mostly in TACIS countries, to the strengthening of customs laboratories and cross-border infrastructure, whereas trade facilitation, customs valuation and other technical customs procedures have received little attention.

<sup>33</sup> For example, in relation to the computerised customs management system ASYCUDA, the Commission's agreement to implement the system in partner countries has not been accompanied by a clear road map on how to achieve the effective modernisation of their customs systems. Added to a lack of formal co-ordination, both inside the Commission and beyond (ASYCUDA implementation is a multi-donor operation where UNCTAD typically provides the software and the IBRD or Commission tend to provide the equipment and TA) can lead to a mismatch between the aims of the project, the priorities set, the resources provided, the up- and downstream needs of the system (the WCO note *inter alia* the absence of post-implementation support for IT), the degree of project ownership by customs personnel and timing of project implementation. Thus, in COMESA, 13 countries have installed the ASYCUDA software, without first implementing the single customs document, the WTO valuation code or common statistical rules. The COMESA Secretariat faces severe difficulties in continuing ASYCUDA implementation due to the absence of financial and technical resources (training, software licences). The introduction of Euro Trace in parallel with ASYCUDA to improve trade statistics faces similar problems.

### **3.2.3 Quality and flexibility of management and implementation<sup>34</sup>**

Focusing on the quality of inputs in relation to TRA issues, the evaluators identified three types of issues. They refer to 1° the rigidity of procedures, 2° the quality of implementation, and 3° the type and quality of expertise provided.

#### ***3.2.3.1 Rigidity of procedures***

The rigidity of EC procedures governing the implementation of aid is a source of delays. Whereas this is not a problem specific to TRA, in the case of TRA projects it creates difficulties in view of the pace of change experienced in trade-related matters. In particular, budgetary flexibility is often precluded by the financing agreement (FA), meaning funds cannot always be channelled to where they may be of most use and ensure the greatest impact (their use dictated by the quality of the original needs analysis conducted with the beneficiary). The signature of (in some projects multiple) riders may help to alleviate such problems, but rider delivery is often subject to Commission resistance and delays. Deconcentration shortens these delays, as evidenced by the rapid provision of a rider to the Tourism Diversification and Sustainable Development Programme in Kenya to face a changing situation.

Commission funded projects are also affected by upstream delays, that is delays between the initial project identification and subsequent implementation. Reasons include delays between identification and formulation missions, delays in the signature of financing agreements with beneficiary organisations, delays due to procurement (cancellation or tenders), frequent changes in Commission rules (currently the crossover to decentralised management) and rapid turnover of Commission personnel. In the fast evolving world of international trade, this has a direct impact of project efficiency. The MUTRAP 1 project in Vietnam was meant to support the accession process to WTO but it started three years after schedule. It is only by coincidence, since the accession process was also delayed, that the project could keep pace with the accession timetable. However, needs had evolved and differed from those addressed by the financing agreement.

In order mitigate the effect of the slow pace of project programming, identification, formulation and tendering prior to the mobilisation of TRA, the evaluators noted a tendency to dilute the technical and administrative provisions (TAP) of the FA. This was seen in the financing agreement for the second phase of MUTRAP and in other projects such as the P3A in Tunisia, whose TAP simply present a broad list of areas for possible intervention but their definition is left to the inception phase of the project implementation. Whilst this may overcome delays in project identification, formulation and financing (delays across the initial half of the project cycle, often amounting to several years, were a frequent occurrence in each of the regions examined), this may yet give rise to delays in programme implementation (including delivery of overall and annual work plans) downstream.

#### ***3.2.3.2 Quality of management and implementation***

The preceding section 3.2.3.1. highlighted the trend towards a looser wording of financing agreements, TAP and TORs as a means of working around procedural delays. As such there is a need for the Contracting Authority, Executing Agency and project beneficiaries to interact with the PMU in a constructive and flexible manner in managing the direction of programme activities downstream (for example via the programme steering committee, with proper scrutiny and delivery

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<sup>34</sup> Based on indicators (I31, I32, I33).

of feedback on periodic reports, and with regular informal dialogue between each other and with the PMU)<sup>35</sup>. Where such dialogue or guidance is lacking, success or failure of a project rests largely with the technical and administrative capabilities, vision and quality of the PMU or the main technical assistance team.

Moreover, the Commission may require more detailed submissions as a part of the PMUs' Annual Work Plans (AWPs). The need to fully detail and budget all activities for a given year some 6-12 months upstream, combined with the need (among PMUs) for further tendering, is ill-adapted to the dynamic, time-critical nature of many TRA projects whether multilateral (e.g. the WTO DDA, 2005 expiry of the MFA and WTO accession), regional (e.g. ASEAN, COMESA, UEMOA) or bilateral (e.g. EPAs, AAs and PCAs) most of which need to adapt to evolving negotiating scenarios, changing liberalisation schedules, and newly identified implementing challenges, each raising new demands and fresh requirements for TRA.

Finally, it should be noted that the Commission Delegations and Services in charge of external aid, (DG Trade in fact is not in charge of external aid) often operate with a shortage of staff with technical understanding of trade issues. This creates difficulties in the dialogue between trade consultants, project management and Commission services. It also limits the capacity of the Commission to fully capture and translate into programming documents the technical issues identified by trade experts and, hence, to respond in a proactive manner to questions and challenges presented by project management. Overall, the evaluators observed that the presence of trade specialists in the Commission Delegations and other EC Services involved in the project cycle improved the design and management of TRA (the examples of Vietnam and the regional Eastern and Southern African programmes clearly point in that direction).

### **3.2.3.3 Quality of expertise**

There is much evidence that the efficiency of a project depends on the quality of the long-term expert(s). Where good long-term experts (such as technical advisers) have been mobilised this has greatly improved the depth and quality of dialogue with project beneficiaries and continuity of technical advice and may generally be viewed as very positive. This is the case in several regional integration organisations and is seen to work well (e.g. COMESA). However, where long-term experts are unable to develop sufficient mutual understanding with the beneficiary institution or lacked the capacity to work around problems inherent to financing agreements or TAPs, projects have been slow to deliver their stated goals. For example, several business centres in the MEDA region have required changes in their management to arrive at an efficient implementing structure (e.g. IMP Egypt, EME, and Algeria SME).

With regard to the other experts the skills mix and the recourse to international and local expertise is also an important determinant of efficiency. This is shown by the following two examples:

- In the case of customs projects (e.g. the RHTCSS), the initial design envisaged that all activities be conducted through short term international consultants: this did not work because the need was not so much for the mobilisation of highly qualified technical expertise as for experts who understand local situations and could adapt solutions for local implementation. The replacement of the international resource persons by experts from the

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<sup>35</sup> In many projects, there was little evidence of the Commission services having read or reacted formerly to reports submitted, other than to approve consultant timesheets.

COMESA Member States Experts caused considerable delays in the delivery of the project outputs and required substantial additional funding.

- Insufficient involvement of local experts and local stakeholders in the implementation of projects may give the beneficiary the impression that projects are excessively donor-driven with insufficient focus on the local spill-over of projects (an example reported to the evaluators was the Pesticide Initiative Programme in Eastern and Southern Africa).

On the other hand, the extensive use of local expertise proved a positive factor for local ownership and understanding of local situations (examples here include the PCA and MEPO in Moldova).

Ideally, projects should seek to marry the relative advantages of the different types of expertise: long-term international expertise is useful in giving large projects a strategic orientation and continuity, short-term international expertise is ideally mobilised on technically specialised issues, and local expertise for assistance with project management, analysis of local situations and support for the transfer of knowledge. In this regard it is regrettable that in many projects, insufficient provision is made in the TAP for a more flexible allocation of tasks between local and international TA.

Finally, previous constraints imposed on experts' nationality were seen as limits to the efficiency of project delivery<sup>36</sup>. For example, in Vietnam it was mentioned that by virtue of the PRC's recent experiences, a Chinese expert could have been more effective in providing advice to the Vietnamese Ministry of Trade on WTO accession. South African or Chilean experts might provide useful advice to ACP countries on negotiation of a regional FTA.

The growing number of TRA projects, particularly in relation to the subset 1 type of interventions linked to the rules-based system of the MTS creates an ever increasing demand for specialist economic and legal expertise. Difficulties were experienced in locating such expertise through traditional procurement procedures, including the existing framework contracts. The recently launched Framework Contract Lot 6 on Trade may improve the situation in this regard, provided it is effective in developing a pool of high quality experts corresponding to the different technical domains involved in TRA (SPS, trade facilitation, etc.) at fee rates which make it accessible to beneficiaries and PMUs.

### **3.2.4 Coherence with the local policy context and coordination with other donors<sup>37</sup>**

The extent to which Commission's TRA programmes are aligned with the local policy context is variable. Some projects lack coherence either with the policy agenda or with the general policy and institutional environment. More precisely, two problems were detected during this evaluation.

First, although the programming and identification of projects were initially in sequence with the domestic policy agenda, delays due to implementation difficulties linked to administrative and procedural rigidities happened to create situations where the pace of implementation fell behind the policy agenda. As a consequence, certain project outputs became obsolete and no longer adapted to the real needs or concerns at the moment they are finally implemented. As stated in the previous section, the MUTRAP I project in Vietnam is one example of this. Delays in its implementation rendered the programmed activities ill-adapted to the new Government policy agenda. In some extreme cases, implementation difficulties prevented the projects outputs from being delivered, as

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<sup>36</sup> Although European aid has been untied, Regulations regarding project delivery in the different regions and the nationality of experts constitute a constraint that can be levied but at a certain costs in terms of procedures and time.

<sup>37</sup> Based on indicators I21, I22, I23.

with the "*liasse unique*" project in Tunisia which was eventually abandoned despite the associated reform process engaged by the Tunisian authorities.

Second, links to in-country policy developments were also largely absent in the projects evaluated in Kenya and Zambia (except for Support to Trade Negotiations) and in Moldova (except for Harmonisation of Standards which seeks to guide the Government agenda in this area). Many projects are not designed to interact flexibly with the Government reform agenda (which is often unpredictable). They are implemented in situations where the pre-requisites of government policy and an enabling environment were not met (as in the case of private sector support projects in Kenya, early periods of the EDP in Zambia, private sector and export promotion projects in Moldova). Moreover, reforms that were not anticipated at the time of the programme design may have important consequences for their implementation (e.g. territorial reform impacts crucially on the Ungheni Cross Border programme and the SME support programme in Moldova). However, good liaison between the project leader and the EC TACIS Office in Moldova, the national authorities, and the TACIS Monitoring system have so far offered enough flexibility to adapt projects to institutional changes. The FIPA project in Tunisia provides another example of ill-adaptation to the local policy context, requiring substantial reshaping (sector approach) and revealing an inappropriately short-term approach to FDI attraction in its basic design.

In this regard it is worth noting the positive effects of the Commission's deconcentration as a potential solution to these problems. Indeed, remedial actions on projects where problems have occurred have been facilitated by the greater proximity of EC decision makers to beneficiary institutions and PMUs. Allied to this, improved upstream dialogue, and greater commonality of vision, understanding and purpose among stakeholders (including the importance of trade, integration into the MTS, and the trade-development nexus), can improve programme identification and formulation so that critical breakdowns in project implementation are less likely to occur.

Co-ordination with other donor activities remains limited in both form and content. In all the countries visited, co-ordination was mainly implemented through the organisation of (more or less) regular meetings, seminars or workshops. These are essentially used to inform each other of about ongoing activities but did not appear to trigger a co-ordinated body of TRA interventions (although not pursued in any of the countries visited, the Integrated Framework was highlighted as a viable means for improving co-ordination of TRA delivery). In practice, government authorities, by addressing different demands to different donors, are best positioned to play the main co-ordination role, although they may not necessarily be capable of fully developing such a role.

Co-ordination at implementation level is pragmatic. In none of the countries visited there is real co-ordination among donors on project implementation (especially important during project inception, and maximising complementarities in project work planning, etc.), but at project level teams working for different donors often take steps to consult with each other: for instance in Moldova the European private sector projects liaised frequently with the USAID team implementing the Bizzpro project. In some countries the Delegations were pro-active in keeping project managers informed of similar activities conducted by others, for example through use of a donor matrix.

### 3.2.5 Adequacy of the channels of implementation<sup>38</sup>

TRA projects often place high emphasis on the institutional strengthening of the agency charged with their implementation (Ministry of Trade for MUTRAP in Vietnam, Ministry of Industry and its agencies for ETE and IMP in Tunisia). Private sector or export promotion projects and subset 1 TRA projects frequently create the implementing agency (MEPO in Moldova) or work to strengthen it (PCA, support to WTO in Moldova, Harmonisation of standards in Moldova).

Analysis of the capacity of the implementing agencies is normally conducted during the preparation phases (for example, Support to the COMESA Secretariat for the Regional Integration Programme, implementation of the TDP in Kenya through the EPC, support to KIPPRA, support to EDP in Zambia). The evaluation found that this is not always the case or that the analysis was of insufficient depth. In Vietnam, for instance, large TRA programmes involving horizontal issues are implemented through a single line ministry whose mandate and ability to co-ordinate other government agencies was unclear (and not factored into project design) making it a sub-optimal vehicle for securing the range of the necessary policy reforms or the regulatory or institutional strengthening of an inter-disciplinary nature across the required range of domains.

A double issue has occasionally been observed in relation to institutional strengthening: (i) where too much emphasis is placed on institutional strengthening there is a danger that this diverts focus and resources from the final beneficiaries, i.e. the private sector operators (an issue raised in relation to the TDP in Kenya), who are not routinely involved in project steering committees; (ii) when institutions are weak, alternative institutions may be created within the context of a particular project (the case of TSDSP in Kenya, MEPO in Moldova) raising a problem of sustainability.

### 3.2.6 Overall assessment of efficiency

Trade is a relatively “new” area in which both the consultancy community and project management capacity of the EC have yet to catch up. The complexity of the subject, both technically (from economic and legal perspectives) and politically (in relation to the plethora of different regional and multilateral agreements and accords, and frequent addition to or refinement of trade rules in various domains) requires the EC to develop a long-term view, building up an appropriate delivery infrastructure in the domain. So far the Guidelines developed by the EC services respond more to programming than implementation. However, pending initiatives that include the institution by the Commission of a Trade framework contract and EC-ITC TRA Trust Fund (able to access ITC-UNCTAD-WTO expertise) demonstrate that the Commission Services involved with TRA are sensitive to past difficulties and to the need to facilitate the efficient mobilisation of expertise.

Across all regions, TRA interventions have suffered from the same types of efficiency issues as other projects (restrictiveness of and delays in administrative and financial procedures, timeliness of delivery, hiatuses between first and second phases of projects, quality of implementation). Some of these have been highlighted above. The evaluation sought to focus on issues specific to the implementation of TRA. However, the fast changing trade environment and DDA-related ambition of the Commission to move beyond “static” types of productive sector development or institutional capacity building to more “dynamic” forms of support to ongoing trade negotiations call for more flexible forms of implementation. Where EC procedures remain rigid, and framework contracts unsuited to the situation, it is important that financing agreements, TAPs and TORs marry flexibility with precision. Many projects studied were delayed by oversights, misunderstandings or problems of phraseology. This should be mitigated in future by the

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<sup>38</sup> Based on indicator I23.

deconcentration of responsibilities from Brussels to the Delegations, where ease of access to and dialogue with project beneficiaries - provided that long-term relationships are developed (including continuity in human resourcing) - should improve the processes of programming, identification and formulation. Where fewer riders are needed, those required may be processed more rapidly. Fewer projects should suffer from multi-annual delays or (worse) be “suspended” with consultants paid but without the projects fully functioning (e.g. ETE and other business centres or the IMP Egypt in the MEDA region).

A further important factor of efficiency identified is the quality of the inputs provided, that is the expertise and efficiency of the consultants. Distinctions may be made between long-term expertise, generally used to manage and administer (but ideally also advise on the technical aspects of) large projects and short-term specialised expertise mobilised to provide technical inputs for specific activities. Whereas the former is generally of good quality and appreciated (though consultants who have both managerial, including PCM, and technical expertise may be hard to find), the latter has created problems. The high degree of technicality, the diversity of trade-related issues, and the rapidly evolving economic and legal background to trade requires the recruitment of experts who are highly competent, motivated and flexible in outlook, often at short notice, if real value added is to be achieved. Such experts are in many cases difficult to find. Procedural constraints have acted as a further obstacle. The recent launch of a new framework contract specially dedicated to specialised Trade expertise may help resolve the problem, once operational and as it gets up to speed.

The use of local expertise should improve understanding of local contexts and serve as a conduit for transfer of know-how. The identification of such expertise may be impossible from Brussels, however. This is often used as an argument for the continued (and extended) employment of longer-term expertise. In areas, such as customs, where little local private sector consulting capacity exists, the Commission might consider the mobilisation of civil servants seconded from their administrations (on the basis of unpaid leave) at least in relation to key inputs and deliverables directly impacting on the outcome or efficiency of the project at large.

The selection of the implementation agency for TRA problems raises special difficulties in view of the fragmentation of trade responsibilities across governments and requires particular efforts to ensure co-ordination of trade-related activities within the partner country's institutions.

Finally, the evaluation noted a high degree of complementarity between productive sector development projects and EIB loans.

### 3.3 Effectiveness of TRA in institutional capacity building, trade negotiation capacity and productive sector strengthening (Evaluation Questions 5, 6 and 7)

#### Answer to Evaluation Questions 5 to 7

**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 1 TRA 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 1 TRA 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.*

### 3.3.1 Coverage of the Evaluation Questions

This group of questions is focused on the implementation stage of TRA and its purpose is to assess how effective Commission TRA assistance has been in relation to the four intermediary objectives identified in the reconstruction of the intervention logic (see diagram 3), themselves based on the building blocks of trade development (see diagram 2). The main findings are therefore regrouped according to these four intermediary objectives and the corresponding judgement criteria

### 3.3.2 Mainstreaming trade into domestic policies<sup>39</sup>

According to the countries and regions visited, there are significant differences in the effectiveness of Commission TRA in terms of internalising trade policy issues, including requests for assistance and raising awareness of the implications of international commitments.

In Vietnam, a large proportion of Commission TRA interventions is oriented towards institutional capacity building (MUTRAP I, MUTRAP Extension, MUTRAP II) corresponding to subset 1 of the TRA typology (see section 2.2). Completed programmes (MUTRAP I), despite failing to keep pace with the evolving situation, have participated in incorporation of trade policy into domestic economic policies as they contributed to increasing awareness of trade policy issues among Vietnamese officials in different line ministries. Moreover, they clearly affected the Vietnamese trade policy reform process and helped to identify the requirements to be reached with a view to increasing compliance with the international trade agreements to which Vietnam is a party.

In the ACP region the Commission is influencing trade policy and trade awareness in the countries benefiting from its assistance through three channels:

- The Cotonou Agreement with its emphasis on regional integration and the prospect of negotiating EPAs with the EU. In the countries visited, this proved to be a determinant factor in increasing interest in trade issues and stimulating requests for TRA, starting with demands for support to negotiations.
- A deliberate strategy of concentration of TRA at regional level. The efforts in terms of TRA have aimed at promoting regional trade arrangements and bringing together the member countries to adapt their own policies. This was conducted through support to the regional institutions, participation in regional programmes (for instance, the CBI) and development of regional interventions such as the PRIDE. Support to regional institutions has been a determining factor in the progress of regional integration: whereas the CBI stimulated the reform process in a number of participating countries and helped simplify and improve regulations, the PRIDE fostered trade liberalisation in the Indian Ocean region. As such, they

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<sup>39</sup> Based on indicators I37, I38.

contributed to incorporation of trade policy into the domestic economic policy packages of the partner countries.

- The bilateral country programmes. The visited ACP countries, Kenya and Zambia, present very different contexts, Kenya having significant and relatively diversified external (including intra-regional) trade, whereas Zambia's trade remains highly concentrated on mineral products. Nevertheless, in both countries there is little internalisation of trade in domestic policy documents and the PRSP. Interventions in Kenya and Zambia reflect domestic priorities and therefore have not been directed to reform of national trade policies but rather designed to function in the context of the existing (or non existing) trade policies and the constraints they impose. Projects have mainly been addressing private sector development and export promotion and could act as sources of identification of the main constraints to trade but could not induce systemic reforms of trade policy or trade institutions. The absence of a TRA focus in country strategies has therefore limited internalisation of trade in economic policy. However, when conducted, efforts to improve the national capacity to identify and formulate trade policy and reforms are producing encouraging results<sup>40</sup>.

In Moldova the situation is characterised by the co-existence of announced domestic TRA objectives with a domestic policy often inconsistent with these same objectives. To assess the results of the Commission efforts to promote the integration of Moldova in the world economy, a distinction should be made between subset 1 TRA projects (support to WTO implementation, customs, Harmonisation of Moldova's System of Standardisation) and private sector or export promotion projects. The former have contributed to better understanding of the commitments and the reforms needed in trade-related areas but, apart from the Harmonisation of the System of Standardisation programme that is helping with the implementation of a policy change in this field, they have not induced the necessary fundamental policy reforms. The latter had some success in promoting exports but their results are not sustainable without a change in the policy and institutional context.

In Tunisia, one of the announced principal objectives of the Commission TRA interventions is to contribute to mainstreaming trade as a coherent part of domestic policy. Since past Commission TRA has typically built on existing Tunisian initiatives (e.g. FIPA, ETE) whose trade content is rather limited<sup>41</sup>, it is hard to substantiate the claim that trade mainstreaming has been enhanced as a result of the Commission TRA. A new generation of programmes, notably the IMP and P3A, are devoting more attention to subset 1 TRA, giving due importance to TRA needs in relation to capacity building. This includes non-tariff issues conditioning market access within the AA e.g. standards, mutual recognition, rules of origin, antidumping, safeguards and countervailing measures, competition policy, TBT, and SPS. These projects are likely to result in trade policy reforms and contribute to mainstreaming trade policy into the broad set of Tunisia's economic policies.

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<sup>40</sup> The European Commission support to the creation and operations of the Kenyan Institute for Public Policy Research and Analysis (KIPPRA), increasingly consulted and used by local authorities, is a good example of capacity strengthening programme.

<sup>41</sup> As already mentioned, these programmes are essentially meant to upgrade the existing productive capacity and promote the creation of new enterprises with the objective to increase the economy's competitiveness. In nature, they are more Private Sector Development than TRA programmes.

### 3.3.3 Contribution to trade-related reforms and promotion of regional arrangements<sup>42</sup>

Some trade regulation reforms have been facilitated by the Commission's TRA interventions. For example, the project in support to WTO accession played a useful role in helping Moldova adapt its trade regulations to the requirements of WTO membership. The new WTO support project is intended to play a similar role for the implementation of membership commitments. Likewise, recent programmes including subset 1 TRA (like for instance MUTRAP II in Vietnam, IMP and P3A in Tunisia) are likely to contribute to trade regulation reforms since they are directly targeted to specific aspects of the partner country's trade policy.

It is difficult to assess rigorously the extent to which the Commission's TRA interventions effectively contributed to improving compliance with signed trade arrangements in the context of the MTS. A correct understating of the arrangements and their implications is a necessary first step towards improved compliance. In this respect the Commission's interventions have been helpful. There is evidence that the Commission's TRA increased the general understanding of trade-related issues in the partner countries or regions. This is for instance the case with MUTRAP, which sensitised national authorities to issues and processes pertaining to WTO accession and helped to clarify the Vietnamese position vis-à-vis the accession negotiations.

Further efforts in this direction should nevertheless be pursued as understanding still remains insufficient and must be improved in relation to more and more complex issues. For instance, the Working Party co-ordinating negotiations in the context of Vietnamese accession to WTO noted last May (2003) that much more needed to be done and that 'success would depend on a quantum jump' in efforts if Vietnam wants to meet its goal of joining by 2005<sup>43</sup>. Several members said they were still only at the early stages of the market access negotiations, or only about to start them and could not negotiate market access properly until the lists of import duties Vietnam currently charges ('applied tariff schedule') had been circulated. In the same way, concerns of several COMESA member countries for adapting their competition legislation stem directly from the progress in regional integration and from TRA provided by the Commission.

Commission TRA has also been determinant in strengthening the Regional Integration Organisations (RIOs) in the Eastern and Southern Africa Region. The major factors explaining this success are:

- Unambiguous promotion by the Commission of "open regionalism". This sound economic objective, discarding clearly the temptation to replace national protection by regional protection, could rally all donors - even if the Bretton Woods institutions see regionalism more as a short cut to accelerated unilateral liberalisation - whereas the Commission also promoted it for its own sake (in particular in terms of institutional development and peer pressure to adopt positive reforms).
- Continuity of support and consistency in the pursuit of the objective of regional integration. This is demonstrated in Eastern and Southern Africa, for instance, by the assistance provided under successive EDF programmes to the Regional Integration Organisations (IOC, IGAD, EAC, COMESA) and the active participation of the Commission in the CBI/RIFF programme.
- The effort gradually to rationalize the institutions and the move from dispersed assistance to various institutions towards concentration on COMESA and creation of the IRCC.
- The quality of regional integration advisors provided.

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<sup>42</sup> Based on indicators I39, I49, I41, I42.

<sup>43</sup> Information: [http://www.wto.org/english/thewto\\_e/acc\\_e/a1\\_vietnam\\_e.htm](http://www.wto.org/english/thewto_e/acc_e/a1_vietnam_e.htm).

As such, the Commission's TRA interventions have been effective in promoting regional arrangements within the ACP region. For instance, the Commission's support has clearly contributed to improving the capacity of the COMESA institutions and their ability to define and implement a regional integration strategy. This in turn had an impact on trade conditions, notably with the establishment of the FTA between nine COMESA countries. The elaboration of a road map to a customs union is a further step in deepening regional integration. Also, the RIESA project proved a major instrument for clarifying positions and thereby enhancing the regional capacity to negotiate regional and international agreements. Its effectiveness is easily verified by the fact that substantial outputs of different programme components were used and well internalized by the beneficiaries. By the same token, the TWG of the RIFF provided a useful relay to bring the needs of national operators to the attention of those who prepared the negotiations.

In the non-ACP regions examined in this evaluation, the Commission has so far not particularly promoted the existing regional integration movements such as AFTA, (Arab Free Trade Area) or ASEAN as channels to increase integration into world trade, although implementation of its subset 1 TRA projects could only positively affect the regional integration process. Current programming tends to incorporate these dimensions but without giving them highest priority.

### 3.3.4 Strengthening of trade negotiation capacity<sup>44</sup>

Although it was not possible to obtain evidence on the outcome of negotiations and disputes, the findings indicate the effectiveness of this type of aid when it has been provided.

- a) The degree to which such activities have been offered, and therefore their use, has widely differed in the countries analysed in this evaluation.

In Kenya/Zambia/COMESA, assistance to the RIOs and regional projects provided resources for seminars and courses to facilitate regional consultations. Individual countries recognise serious difficulties in their capacity to prepare and negotiate trade deals. The Commission offers specific country projects (TNSP in Kenya), direct support to the RIOs and facilities available for all ACP countries.

In Vietnam, part of MUTRAP I activities concerned the organisation of workshops and seminars on trade-related issues for Vietnamese officials, in particular those involved in the WTO accession process. Training activities took place in Vietnam and were offered to public officials of different ministries. Moreover, 12 officials participated to the seminars organised in Amsterdam and Brussels. These covered a range of WTO related issues from trade in goods, TBTs and SPS, to trade in agriculture, services and investment issues.

In Moldova, the project Support to WTO Implementation took recently the relay of a DFID project to support WTO accession and is meant to strengthen the capacity to develop Moldovan trade relationship. The DFID project involved advice and training that were well received and viewed as effective by the beneficiary ministries and trade institutions. The current Commission project was at an early stage at the time of the mission but responds to the demands of the Ministry and provided training support in the preparation of several meetings, including Cancun.

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<sup>44</sup> Based on indicators I35, I37.

In Tunisia no such activities have been provided.

- b) When such assistance has been offered it benefited from wide attendance and proved effective in raising awareness of trade issues and improving preparation for trade negotiations. Projects and courses to facilitate regional negotiations in the Eastern and Southern Africa region benefited from wide attendance and played an important role in facilitating the progress of regional integration, helping Member States to understand the dynamics of regional integration and better prepare for negotiations. TNSP is still in an early stage; support to the COMESA has permitted progress in negotiating and concluding a FTA among 9 members, while the current Road Map to Customs Union, elaborated under the RIESA project, is a key element in the preparation of negotiations among the Member States and in channelling the future progress of the COMESA. In Vietnam, Government and EC Delegation representatives see the seminars and workshops organised under MUTRAP as having substantially contributed to increasing Vietnamese officials' knowledge of trade issues. They reached a wide range of line ministries' staff members. Training was perceived by beneficiaries and officials as both sufficiently general to capture a quite comprehensive picture of the WTO accession process and at the same time sufficiently technical to effectively increase the officials' trade negotiation capacity.
- c) Demand from partners for this type of activities is growing. The evolution of the MTS (accession of transition countries and Doha Development Agenda), the Commission policy in favour of regional integration in the ACP, and existing or envisaged agreements the Commission is offering (AA, PCA, EPAs, etc.) are a source of growing demand for support to negotiation.
- d) In the ACP countries visited, Kenya and Zambia, and in Moldova, it appeared that the lack of capacity of the operators to organise by groups of interest and to lobby to influence the government's negotiation positions is a major weakness that proves difficult to address. The TWG of the RIFF is an attempt at a response, bringing together private sector representatives and government officials to work on technical problems of international trade. As such, it is a favoured channel for transmitting the concerns of the private operators to the officials in charge of trade negotiations. The operators use it effectively and there is insistent demand for continuing the activities.

### 3.3.5 Strengthening productive sector trade capacity<sup>45</sup>

The main findings can be regrouped in two categories: a) the use made and the effect on operational practices of the services and facilities generated by the assistance directed to development of the productive sector's trade capacity, and b) the effectiveness of these interventions in increasing capacity to overcome technical trade issues.

A wide variety of outputs have been delivered by TRA interventions. The main ones are seminars, workshops and training (examples are TDP in Kenya, EBIC in Vietnam), assistance to and participation in trade fairs, promotional brochures, marketing pamphlets and similar services (MEPO in Moldova, TDP in Kenya, PRIDE), Business Centres, competitiveness and quality upgrading services (Cross Border Ungheni Moldova, PRIDE, ETE and IMP in Tunisia, EBIC), and grant schemes and concessional loans (EDP in Zambia, MEPO). Interviews with officials and operators show that there is growing demand for including technical subset 1 TRA activities (SPS,

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<sup>45</sup> Based on indicators I43, I44, I9, I45.

harmonisation of standards, certification, etc.) in productive sector development projects. Available evaluation reports show that when this is done, the beneficiaries always use these inputs.

There is much evidence that these services are used and have contributed to the integration of the partner countries' productive sector in the MTS.

In Moldova, MEPO has around 120 clients, which it actively supports in export development. It has disbursed an Action Fund of about €945,000 directly to Moldovan companies to assist them with their export ventures, sub-divided about 40% on a cost-sharing basis and 60% on missions and other functions<sup>46</sup>. Personnel involved in MEPO claim that a significant part of the expansion of Moldovan exports and the diversification of destinations is attributable to the work of the Agency.

EBIC services were largely used by Vietnamese operators and delivered some substantial outputs in terms of increased awareness of quality and administrative requirements for accessing EU markets. More than 100 seminars were organised, reaching some 6.000 participants. Consultations with the Vietnam Chamber of Commerce and Industry led to the publication of a book aimed at facilitating EU market access for Vietnamese enterprises. It benefited from wide distribution (3.000 copies) and is widely used as a reference by enterprises involved in exporting to the EU.

In Tunisia, interlocutors at the Ministry of Industry and at the Commission Delegation suggested that, in spite of the considerable early difficulties, ETE has been a success. Local private operators have largely used the programme facilities, and the upgrading of actions significantly affected the productivity, employment levels and exports performance of the enterprises concerned<sup>47</sup>. This view was shared by private sector representatives who underlined that uptake of business upgrading services under ETE was strong (particularly among larger SMEs).

In Kenya, the Trade Development Programme (TDP) provided support to trade promotion, including overseas trade fairs, product development and adaptation, human resource development, and the establishment of the Centre for Business Information (CBIK), which proved to be well used by local enterprises. According to the evaluation of the project<sup>48</sup>, the trade promotion activities have been effective in exposing Kenyan exporters to foreign markets but did not appear to be effective in substantially generating new export sales.

In Zambia, the Export Development Project (EDP) (Phases I and II) has clearly been very successful with regard to uptake by local enterprises. According to private sector representatives, EDP addressed important needs of several Zambian industries. For instance, it had a substantial effect on exports of coffee, flowers and vegetables<sup>49</sup> as well as on employment. The Private Sector Development Programme (PSDP) was less oriented towards trade but was recognised as having contributed to an increase in the export performance of local enterprises.

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<sup>46</sup> See MEPO project documents.

<sup>47</sup> A fully-fledged ex-post evaluation of ETE was ongoing at the time of the evaluation but the preliminary figures produced by the ETE PMU and projects documents (Euro-Tunisie Entreprise, *'Un Programme pour le Développement du Secteur Privé en Tunisie'*) indicate a satisfactory uptake.

<sup>48</sup> European Union/Export Promotion Council. Trade Development Programme 1996-1999, Final Report and Trade Development Programme: Vol. I: Final Evaluation Report Evaluation Report.

<sup>49</sup> At the start of EDP I coffee sales amounted to 1 000 tonnes per year; today they were 6 000. The Zambian Export Growers Association (ZEGA) indicated that substantial increases in exports of flowers and vegetables had been achieved as a result of the EDP.

In general, the motivation for using the services provided by the Commission's TRA is twofold:

- Often these services offer a "low cost" opportunity to the companies. They are a powerful incentive to attract operators into new schemes and to enable them to discover the advantages they can gain from changing their production practices and management methods. However, there is a danger that the low cost is a greater incentive than the expected benefits from use of the services and this jeopardises the prospects of maintaining the supply of the services after the end of the project. Another, more important risk is that of creating distortions or using concession schemes to bypass the constraints of the business environment instead of addressing them (as in the case of the Zambian EDP which made overcoming financial constraints possible without addressing the financial intermediary sector's deficiencies).
- The services are used because of their benefits. In these cases effectiveness is greatest. For example, competitiveness and quality upgrading services have been widely used and appreciated where they have been offered. Available evaluations also show that enterprises benefiting from these services usually went a long way along the road to certification and quality improvement.

Regarding the effectiveness of TRA in developing capacity to deal with the technical aspects of trade (TBT, ROOs, SPS), the emerging finding is that the Commission's interventions have been used by private operators but that needs are growing in this area.

According to Vietnamese private sector representatives, EBIC seminars helped private operators to deepen, if not initiate, their knowledge of EU markets and of the technical regulations conditioning access to these markets. As such, EBIC was thought to have contributed to an increase in Vietnamese market shares (although no statistical evidence was produced to support this view). In particular, EBIC seminars proved very useful in matters related to quality requirements and some of the beneficiaries apparently obtained quality certification as a result of EBIC activities (although again no statistics were found to support this).

In Moldova, the Ungheni Cross Border project initiated an inspection system in Ungheni to certify ecological farming, while awaiting the enacting of a national law on ecological farming. Moreover, the project Harmonisation of Standardisation is helping the government completely review its certification system, starting with food and high-risk products. Private sector representatives in Moldova were confident in that respect as the projects clearly responded to a need expressed by Moldovan operators<sup>50</sup>.

In Zambia, EDP is providing Technical Assistance to increase the capacity of private operators to face technical trade issues. Nevertheless, SPS, packaging and other technical issues were a major preoccupation of exporters<sup>51</sup>. They are, for instance, concerned with EU recycling requirements for packaging which will become operative in 2004, as well as those for certification of dairy products. For instance EU regulations on horticultural products are very complex and pose several administrative and procedural problems. The same issue emerges in Kenya. For instance, in its Trade Policy Review (TPR) submission to WTO, the Kenyan government indicates that market access for agricultural products has been seriously hindered by the use of SPS measures.

In general, the findings of this evaluation, especially with regards to ACP countries, are coherent with the widely observed fact that the lack of capacity to comply with more and more complex technical regulations and rules of origin governing trade is a growing problem for poorer

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<sup>50</sup> These projects are in a too early stage of implementation to assess the effective use of the provided services.

<sup>51</sup> See, for instance, "Trade Policy Review of Zambia", Report of the Government, WTO.

countries<sup>52</sup>, limiting their access to export markets and preventing them from fully exploiting the preferences granted by third countries. As an example, the Zambian government indicates in its TPR submission that, even though both the Everything But Arms initiative of the EU (EBA) and African Growth and Opportunity Act (AGOA) offer preferential market access to Zambia, market access is restricted in practice by the conditions that must be satisfied to obtain the zero-duty treatment, in particular the rules of origin and the Pest Risk Assessment for agricultural products.

### 3.3.6 Overall assessment of effectiveness

Overall the European Commission TRA interventions examined in this evaluation have performed well against the criterion of effectiveness. The Commission's TRA projects are used by the partners and have contributed to mainstreaming trade into domestic policies, enhancing regional integration, fostering trade reforms and improving negotiation capacity.

Effectiveness is higher for projects related to subset 1 TRA (first subset of the TRA typology displayed in section 2.2). Demand for this type of assistance is strong and project outputs are invariably used by the beneficiaries as shown by available evaluation reports and interviews with both operators and government officials. Support to regional integration (ACP regions) has also been particularly effective in shaping and rationalising regional organisations; in promoting the view that regionalism should be open and not used as a veiled form of protectionism causing trade distortion or diversion; and in stimulating the adoption of regional trade arrangements. It also increased the demand for specific TRA (for instance negotiations, elimination of NTBs, trade facilitation, customs, standards, IPR and competition).

Projects addressing the second subset of TRA (private sector development) also demonstrate good performance in terms of effectiveness in the sense that they have delivered their expected outputs and are used by the partners. However, they do not fare so well when it comes to their contribution to the wider objectives of trade development. From this point of view a distinction can be made between "traditional" productive sector development projects and "new generation" ones. Traditional projects tend to provide assistance to selected companies or industries to develop their productive capacity, export awareness and their capacity to undertake international trade. These projects are often geared towards a limited number of partner firms and include a number of attractive features (for instance, concessional credit lines, co-financing or grant assisted TA schemes) to increase project take-up and help them circumvent constraints within the existing institutional business environment.

Whereas the partners view these projects positively, their contribution in terms of addressing the main systemic constraints remains limited (for instance greater emphasis could be paid to developing local institutional – including management consultancy – capacity or general financial sector reform). New generation projects tend to incorporate the trade dimension in a more comprehensive way, tackling at the same time the firms' trade capacity and their trade-related institutional environment. From this point of view, the likelihood that they contribute to improving the private sector international trading ability is higher.

Finally, it must be underlined that the relative inefficiency observed in some projects did not systematically affect their effectiveness in delivering the expected outputs. As underlined in section 3.2, efficiency problems were mainly due either to procedural delays in the implementation process or to the difficulty in mobilising adequate expertise in trade domains requiring a high level of technicality. Projects for which efficiency was hampered by implementation delays in general still

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<sup>52</sup> See for instance, World Trade Report, WTO, 2003.



proved effective. Except when delays are such that the content of the projects becomes obsolete, they indeed do not prevent the projects from responding to the needs of the partner countries or regions once implemented and delivering appropriate outputs.

### **3.4 Impact and sustainability of the Commission's TRA on the partner countries/regions' productive sector trade performance (Evaluation Question 8)**

#### **Answer to Evaluation Question 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.

#### **3.4.1 Coverage of the Evaluation Question**

The Question attempts to assess the impact of the Commission's TRA on terms of trade development based on selected cases and case studies. TRA interventions are targeted to several trade-related objectives, notably enhancement of trade policy frameworks, trade promotion, trade facilitation and productive sector development, and their overall objective is the harmonious integration of the partner country or region into world trade. Their intended impact is, therefore, expansion and diversification of external trade, strengthening of the position of the current account of the balance of payments, and increased foreign direct investment. A simple look at the available statistical data for the countries analysed in this evaluation is not encouraging in this regard<sup>53</sup>.

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<sup>53</sup> See more detailed information in the field mission reports.

In Kenya, the openness ratio<sup>54</sup> receded from 35.6% in 1996 to 28.6% in 2002 and foreign direct investment also severely declined over the same period. In Zambia the openness ratio faced a similar trend from 37.2% in 1996 to around 30% in 2001-2002. Foreign investments decreased from US\$198 million in 1998 to US\$72 million in 2001. COMESA's share in world exports declined from 0.59% in 1991 to 0.44% in 2001. In Moldova the openness ratio increased from 64.6% in 1996 to 68.2% in 2002 but only due to an increase in imports, whereas the share of exports remained fairly stable. Foreign investments rose significantly but they were mainly in the form of debt for equity swaps by Russian investors, thus without inflow of financial resources. In Tunisia the share of exports in GDP remained relatively stable, whereas foreign investment increased. Only in Vietnam did exports exhibit an impressive growth from 36.7% of GDP in 1995 to 56.7% in 2001, reflecting rapid integration into world trade. Foreign investment decreased from 1995 to 2000 and resumed sharply afterwards.

Such aggregate data do not permit derivation of significant information on the impact of TRA, for two major reasons. First, even a negative trend may reflect a positive impact if it can be shown that without TRA the situation would have been worse. Second, so many variables influence trade and investment that the attribution of an impact to TRA is impossible. In one of the above-mentioned cases, for instance, the evolution of foreign direct investment in Vietnam is more influenced by the Asian financial crisis than by any other variable. Moreover, the aggregate impact of TRA may be difficult to capture because impact takes time to materialise<sup>55</sup> and this evaluation has taken place too early in the project cycle of most TRA interventions undertaken.

In order to overcome these difficulties, impact was therefore not examined at the macro-economic level as should be necessary in all rigour but, as a second best approach, treated at the level of those productive sector operations which have benefited from specific TRA projects and for which more reliable information could be retrieved, either through direct interviews or from evaluation reports and other studies.

### 3.4.2 Participation to international trade<sup>56</sup>

TRA interventions can increase the partner's export capacity<sup>57</sup> either directly by increasing its competitiveness or indirectly by providing services that improve its trade-related practices and knowledge (trade facilitation, trade promotion, etc.).

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<sup>54</sup> The openness ratio is computed as half the sum of the shares of exports and imports in GDP.

<sup>55</sup> The case of the Centre for Business Information of Kenya (CBIK) established under the TDP project provides a clear illustration. . An evaluation conducted immediately after termination of the project provided a very negative assessment because of its limited use by the partner's enterprises. The present evaluation found that a few years after the end of the project the Centre is now well appropriated by the beneficiaries and considered as a valuable tool they increasingly use. Availability and use of information is a first step and a prerequisite but the resulting improvement in the quantity and the quality of trade operations (i.e. the real impact) can be expected although it may take some further time because it is a learning by doing process. Tariff dismantlement and similar liberalisation measures also take time to produce their impact on trade movements because the enterprises need to be fully informed to perceive the advantages they can gain from the new situation and to adapt in consequence their trade and production strategies.

<sup>56</sup> Based on I46.

<sup>57</sup> Note that by referring to the impact of TRA interventions on export capacities, we neglect the trade creation effect associated to any deepening of international integration. The latter was with no doubts fostered by the European Commission TRA but, for the methodological reasons mentioned above, the assessment of its impact on the evolution of the trade volumes is beyond the scope of this evaluation.

Among the projects reviewed, the first type of activity has been implemented by the Commission in Tunisia (ETE), in Moldova (MEPO), in Zambia (EDP) and in Kenya (TDP). In all cases, and where project evaluation information was available, interventions have clearly helped local enterprises to increase the volume of their exports, even though the part attributable to the activities supported by the Commission is difficult to establish. For instance, in Kenya and Zambia evaluations and interviews confirm that traditional projects (TDP, TDSDP, EDP, PSDP) have stimulated export sales; however, they have done so without affecting the global conditions for trade so that the major constraints are not alleviated and the sustainability of the positive impact is at risk. This is particularly the case when, as in the EDP in Zambia, the project has addressed a major constraint, the lack of well performing financial intermediaries, by providing ways of overcoming it (concessional credit lines and indirect tax exemption) rather than by contributing to its resolution. In general, though, their impact seems not to be negligible. In Zambia for instance exports of tobacco, coffee, flowers and manufactures significantly increased through the activities undertaken under the EDP and producers, especially considering that they would have been out of the market without the benefit of TRA.

As far as the second category is concerned (EBIC in Vietnam, TDP and the Tourism Trust Fund in Kenya), projects were largely felt to have been successful in providing the local business services agencies with means of sourcing the information required to develop trade, in particular with Europe. Also, these projects proved to provide appropriate support to trade promotion, including overseas trade fairs, product development and adaptation, human resource development, and establishment of business support centres. As with the first category, however, it is difficult to assess the exact impact of these projects in terms of generating new export sales.

### 3.4.3 Production/export diversification<sup>58</sup>

Although product/export diversification is announced as an objective of many TRA projects, their activities are not always explicitly designed to contribute to development of this dimension. This is the case for ETE in Tunisia or EBIC in Vietnam. If these projects proved to have a positive impact in terms of export diversification, this must be considered more as a valuable by-product of the project, which anyway remains difficult to measure. Others on the contrary were shaped to increase export diversification and have indeed positively influenced the range of export capacities both in terms of products (EDP in Zambia) and in terms of the geographical distribution of exports (MEPO in Moldova).

A more interesting indicator of export diversification is the development of non-traditional exports. It usually results both from strengthening productive capacity and from regional arrangements allowing development of a regional market for locally produced manufactured goods that would not easily find their way to wider international markets. Statistical sources are poor and not very reliable but in the case of Kenya and Zambia they indicate a clear trend to a change in the composition of exports with a reduction in the share of traditional exports. Here again, it is impossible to attribute this result direct to TRA activities.

### 3.4.4 Foreign investment attractiveness<sup>59</sup>

TRA programmes had an influence on foreign investment, either because they included some foreign investment promotion activities (FIPA in Tunisia, MIDA in Moldova) or because they contributed to the general improvement of the business and capital movements conditions (e.g. EU

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<sup>58</sup> Based on I47.

<sup>59</sup> Based on I48.

RIESA project which assisted the development of the COMESA Free Trade Area). When assessable, their impact nevertheless seems rather limited, the effects being noticeable but modest. For instance, under FIPA more than 200 foreign firms were contacted for promoting Tunisia as a candidate for FDI. Of those, 20 visited Tunisia and 3 eventually invested in the country. It must be mentioned though that, in many instances, the impact of such projects can only materialise in the long run as they mainly build on the reputation and the business practices of the partner country or region. Moreover, any sustainable impact in this area requires ongoing and long-lasting support. From that point of view, the short-term approach sometimes observed for projects financed by the Commission (e.g. FIPA in Tunisia) is inappropriate for FDI attraction.

### **3.4.5 Overall assessment of impact and sustainability**

#### ***3.4.5.1 Impact***

The evaluation saw evidence (notwithstanding that the above caveats remain) of a positive impact of private sector support programmes in terms of expanding beneficiaries' export capacities, promoting product or export diversification and enhancing foreign investment attractiveness. However, little information could be obtained on quantification of these effects. Positive outcomes were recorded in a number of projects aimed at improving the regulatory environment (law drafting) but again it was impossible, within the confines of the present study, to examine their impact on the economic operators they concern. It remains the fact that insufficient reform of the policy and regulatory environment contributes in many cases to the continued existence of an extremely constraining business environment. When projects are conducted in the absence of a supportive regulatory, policy and institutional framework, they may effectively deliver results to their direct beneficiaries without producing a significant and sustainable impact. Several productive sector development projects analysed have helped their target enterprises to circumvent some obstacles during the life of the project but have not removed the constraints these enterprises are facing. It is worth pointing out that there is an increased perception of this factor and as private sector development projects evolve they pay more concern to reforms of the business environment. This commendable trend is visible in successive versions of the same projects and in the terms of reference of new projects.

#### ***3.4.5.2 Sustainability***

Sustainability is equally difficult to measure in the case of TRA on account of the ongoing nature of many of the projects reviewed. Apart from regional integration, and some interventions in the field of customs, most subset 1 TRA projects (support to WTO accession and implementation, harmonisation of standards, competition, etc.) are all in their inception phase or just starting their effective implementation.

In the area of customs most interventions have been concerned with the implementation of the Asycuda system in the countries and regions under consideration. Sustainability of the system requires installation and maintenance of a technical infrastructure and of the capacity to handle constant evolution of the system. The corresponding training capacities and financial resources to replace hardware, change software and maintain system operations are often lacking.

In the field of regional integration one should distinguish the sustainability of the institutions that have been developed from the sustainability of the results already achieved in terms of regional integration. Whereas regional integration organisations often remain heavily dependent on external financial and human resources, progress achieved in deepening integration is often of a durable

nature: the creation of the FTA among 9 COMESA countries, its development into a customs union (CU) and the creation of a functioning CU in West Africa should have sustained beneficial consequences for the participating nations.

Projects to support the strengthening of the trade-oriented private sector had in many cases a visible impact on their beneficiaries, although these are limited in number. Their sustainability largely depends on the continued use of the services provided and on a favourable business environment. The latter point is a major issue when projects have been developed to bypass the constraints of an adequate business environment without addressing systemic reforms.

### 3.5 Incorporation of crosscutting issues in TRA (Question 9)

#### Answer to Evaluation Question 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 cross-cutting 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.*

#### 3.5.1 Coverage of the evaluation question

The Evaluation Question addressing crosscutting issues (environment, social standards, gender) was included with a view to assessing how these issues are taken into account in the provision of TRA as well as the extent to which TRA initiatives have helped counteract the possible detrimental consequences of trade in relation to environment, core social standards, and gender issues.

#### 3.5.2 Cross-cutting issue 1: Environment<sup>60</sup>

The evaluation team was unable to identify significant coverage of environmental issues in the programming documents consulted during each of the four field missions undertaken. In some instances CSPs pay lip service to good environmental practice or sustainable development predicated on respect for environmental concerns but typically not in relation to specific delivery of TRA<sup>61</sup>.

<sup>60</sup> Based on Indicators I49, I50, I51.

<sup>61</sup> It is worth noting that the Commission's TRA Guidelines include a specific text on Trade and the Environment, emphasising the work being undertaken with regard to sustainability impact assessments and citing a project financed by the European Commission in Barbados for the promotion of eco-labelling.

The Vietnam CSP states that the promotion of crosscutting issues will be an integral part of EU-Vietnam co-operation (an intention reiterated in the new Financing Proposal for MUTRAP II) but there is no indication of how this is to be handled in practice. The CSP for Tunisia notes the adoption of environmental considerations in the context of the national development strategy and states that environmental issues will be taken into consideration in each of the sectors covered by the NIP. However, the evaluation team found little evidence of this in subsequent programming documents. The RSP for COMESA makes management of natural resources a focal sector and emphasises the links with poverty reduction, but does not explicitly consider the links between trade and environment. In the CSP for Kenya, environmental issues are not covered in the context of international trade.

In sum, in several of the countries visited the Commission is actively supporting environmental protection and rehabilitation initiatives. However, little has been done to factor environmental issues into the delivery of TRA.

### **3.5.3 Crosscutting issue 2: Social standards<sup>62</sup>**

Overall the evaluation team was unable to discern any meaningful coverage of social standards in relation to trade in the context of the Commission TRA during the four field missions undertaken. None of the projects examined in Tunisia incorporated work on social standards (although it is conceivable that such a sub-project could be developed in the context of the Programme of Support to the Association Agreement or P3A) although this is unlikely in the absence of demand for such initiatives from the government of Tunisia. In Vietnam, some interlocutors (notably producers' associations) highlighted the need to comply with European social standards but assistance in this domain was not a priority and had not been a feature of Commission TRA. In Kenya, the administration expressed the view that social standards should not be associated with trade, the feeling being that social standards were often used as a veiled form of protectionism by developed countries. However, an improvement in social standards is implicit in the developmental objectives of the Cotonou Partnership Agreement.

When examining the Guidelines for European Commission Trade-related Assistance (developed by EuropeAid) it is noteworthy that social issues are mentioned only in relation to the SIAs; other references (e.g. to social safety nets, social development) occur exclusively in relation to international organisations such as the IBRD, IMF and UNDP.

### **3.5.4 Cross-cutting issue 3: Gender<sup>63</sup>**

The question of gender equality is not typically factored into the Commission's TRA delivery. Although two references to gender occur in the Tunisian CSP and NIP, it was unclear how these were translated into programme implementation. The evaluation team encountered similar difficulties in finding meaningful references to gender in the projects examined in Vietnam. In fact PMUs are not required to address gender issues in their work planning.

In the COMESA region, many countries have yet to develop national gender policies although COMESA is itself in the process of developing a regional gender policy and has established a Women's Desk, the role of which is to seek to mainstream gender awareness and related issues in programmes and projects undertaken by the IGAD. Elsewhere in Africa, correspondents noted the

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<sup>62</sup> Based on indicators I53, I54.

<sup>63</sup> Based on indicator I55.

importance of women in cross-border trade and subsistence agriculture and the potential benefit for women of the development of such trade, as well as the development of opportunities for cash earnings from enhanced market access provisions and programme support for trade in agricultural products. Gender issues are being covered, however, in the context of the Commission's SIAs.

### **3.5.5 Use of cross-cutting issues as protectionist measures<sup>64</sup>**

In many developing countries, hampered by institutional capacity and other resource constraints, the need to meet the (higher) environmental or social standards of the developed world is at best seen as a challenge, at worst as a veiled form of trade protectionism on the part of their richer trading partners. Eligibility for accessing European markets under the Community GSP for example (itself the object of a WTO Dispute Settlement Panel investigation instigated by India on the basis of discriminatory practice), includes incentives to countries to incorporate core labour standards and apply them effectively. However assistance programmes for meeting EU requirements have not made labour standards a specific TRA objective.

In Tunisia, one facility funded by a European Member State pointed out that European firms outsourcing production or assembling in Tunisia may have higher corporate requirements in relation to "voluntary" social or environmental standards (for example ISO 14000 accreditation by German car manufacturers) than those required by law.

Notwithstanding its existing interventions, it was felt that the Commission should provide additional TRA in relation to a range of "TBT" issues (including areas of quality assurance such as SPS) in most of the countries visited during the field phase missions. In Southern Africa, interlocutors mentioned difficulties in meeting European SPS norms as well as the requirements for recycling of packaging. In Vietnam, MUTRAP II is expected to assist in the establishment of SPS and TBT enquiry points, in partial recognition of the recent difficulties faced by the country's aquaculture industry (and export restrictions to the European Union); however the evaluation team was not aware of any additional support being given, for example in facilitating product traceability extending the application of HACCP<sup>65</sup>. Even in the ACP, where a major SPS support programme is planned, it is questionable whether the size of the project and the resources mobilised will be sufficient to make a meaningful contribution to improvements in the countries' terms of trade.

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<sup>64</sup> Baed on indicators I56, I57.

<sup>65</sup> As advocated for example by the Network of Aquaculture Centres in Asia-Pacific (NACA).





## 4. Main conclusions

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### 4.1 Information and coverage of TRA provided by the European Commission to partner countries

**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.**

*Based on § 2.5.1*

So far there is no accurate description of the TRA provided by the Commission to third countries. The main source of information on projects is the CRIS database. The sector categorisation was introduced from 2000 onwards. However, for older projects it does not permit clear identification of whether a project could be considered as trade-related or not and it provides scant indication on its contents. For large programmes with many components it is not always possible to identify the trade content of the different parts. Trade markers exist but have not been consistently applied. Moreover, programming documents sometimes identify potential activities which in practice cannot be undertaken as the programmes focus only on a few focal sectors. It is therefore not possible to map correctly the trade areas covered by the European Commission TRA and even less possible to quantify accurately what was programmed and what was implemented in the various areas. This situation not only prevents elaboration of an inventory and mapping of TRA per region and per category of activity, but imposes a major constraint on evaluation of TRA interventions. Since systematic centralised information is not available, access to relevant information and documents in practice depends very much on the existence of knowledgeable resource persons. If they have been in post for a sufficiently long period they can indicate the right sources of information and where and how they can be accessed. The restructuring of the last years, in particular the separation of functions within the External Relations directorates and the creation of the SCR (*Service Commun Relex*)/EuropeAid, the deconcentration of responsibilities to the Delegations, and the frequent staff changes without sufficient hand-over makes it sometimes very difficult to retrieve sources of information and establish the contacts necessary for a comprehensive collection of factual information on the activities carried out and on their preparation.

The situation is evolving and the Inter-Service Task Force on trade and development has undertaken a major exercise to review the European Commission TRA. A first tentative list of ongoing TRA projects was set out at the beginning of this evaluation to provide international institutions and other donors with information on European Commission activities in this field. Further attempts to delineate more accurately the Commission's TRA involved a review of ongoing and planned TRA activities across all regions where the Commission works. Although the new review improves considerably the level of information, it remains work in progress and in particular it does not provide quantification of the resources allocated to the different types of TRA.

**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.**

*Based on § 2.5.1, on preliminary analysis set out in the intermediary note of this evaluation and on recent regional reviews undertaken by the Inter-Service Task Force on trade.*

Preliminary analysis based on the initial list elaborated by the Inter-Service Task Force for trade and development<sup>66</sup>, and on data from the regional TRA reviews recently conducted by the same task force, show a wide range of activities and activity clusters across the world.

- In the ACP countries, trade interventions are mainly conducted at regional level and support to regional integration is by far the most important TRA cluster. Support to the trade-oriented productive sector (export promotion, tourism, financial services), SPS and TBT are two other significant clusters.
- In the MEDA region, the Commission's TRA has concentrated on private sector development. Subset 1 TRA projects are only at the initial stages of programming or implementation.
- In the ALA region, a distinction should be made between Asia and Latin America. Asia is probably the region where Commission's interventions have the highest trade component, both at national and regional level. The demand from the countries has been significant and which has generated a positive response from the Commission. Projects supporting productive sector development are the main cluster but they are characterised by high TRA content. In Latin America the most important TRA cluster is productive sector development and finance; trade is also a significant part of the regional programme and support to regional integration constitutes an important cluster.
- In the CARDS region, TRA is very recent but is distributed across the whole range of needs (trade policy, institutional development, support to trade negotiations, support to the productive sector).
- In the TACIS region, although there are significant differences between the Western CIS (Russia, Ukraine, Moldova), Central Asia and the Caucasus, activities linked to WTO accession and the development of the productive sector with a view to its integration into the world economy represent the main focus of the Commission's TRA. It is worth noting that in this region a significant cluster is trade-related training.

Beyond these differences and similarities in the type of TRA activities, there is also a difference in the channels (regional or national) through which TRA is provided. In the ACP and in Latin America, TRA has been conducted largely through the regional programmes and support to regional institutions. In other regions, although regional arrangements (either bilateral with the EU or multilateral among members of the region) have been promoted, institutional support at regional level has been more limited or even non-existent (e.g. in MEDA).

The prevalent recourse to regional channels in the ACP countries reflects two aspects: (i) operationally, with 77 countries in the ACP region, it is impossible to cover all sectors (such as trade) within bilateral programmes, owing to the sheer number of countries and priorities; (ii) the political situation in the ACP countries where a number of regional organisations exist. In contrast, other regions, such as MEDA (but also TACIS and CARDS), favour a bilateral approach as operationally only 8 countries are covered and regional cooperation is complicated politically by the Middle East conflict.

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<sup>66</sup> This analysis is detailed in the Intermediary Note of this evaluation.

## 4.2 Rationale underlying the identification of TRA

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

*Based on § 3.1.2.1*

Programming documents, including identification, formulation, technical reports, CSPs and RSPs do not provide in-depth analysis of the trade situation of the partner country or region. References to trade policy, trade-related institutions and the productive sector's trade performance are limited to specific points and are not the object of systematic review. This is a key deficiency. For instance, the principal effect of trade liberalisation is to induce a degree of sector specialisation according to the country's or region's comparative advantage. The identification of export potential and import-competing sectors, as well as an evaluation of the risk or potential of such specialisation in a long-run perspective, are therefore fundamental prerequisites for the setting-up of projects aimed at increasing the capacity of the partner country or region productive sector to integrate fruitfully into a regional or global trading system. In general, RSPs contain a description of the institutional framework and of some aspects related to regional integration but do not offer comprehensive analysis of the regional trade situation.

In the same way the range of TRA provided by the Commission and the other donors in the partner country or region is not systematically reported. When it is done, such analysis incomplete or conducted at project level and not at an upstream stage of the programming process. As a result, it is difficult to arrive at a clear view on how Commission TRA interventions are related to those of other donors.

**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.**

*Based on § 2.5.1, §3.1.2.2, § 3.1.2.3, and § 3.1.3*

The identification of TRA needs and the programming of the corresponding activities appear to be essentially based on a diagnosis by the partner country or region and its subsequent demands. This practice is necessary to ensure ownership of the projects by the partner and is the natural outcome of a programming process in which the views of the partner are properly taken into account. However, there is no verification of the analysis supporting the partner's demands, nor evidence that real needs have been strategically prioritised. One would expect elements of the Commission's own analytical work to be reported in programming documents, which however is not the case. If programming documents mention analysis, they do not give any idea of what exactly has been undertaken on the Commission's side and how this output has been used.

The role played by the Commission in identification of trade-related needs is therefore vague. It mainly consists of collecting the demands expressed by the partner country. This reflects a relatively passive attitude in the diagnosis exercise leading to the design of TRA. Moreover, even if consultation with the partner country or region was extensive, this process did not always ensure sufficiently large coverage of the stakeholders and operators most closely concerned, in particular those representative of the private sector and of civil society. In the absence of any counter-analysis, the Commission has therefore no alternative but to trust in the ability of local authorities to identify comprehensively the strengths and weakness of its trade-related policies, institutions and productive base and to formulate TRA needs accordingly. This is however questionable given the complexity of trade issues and the generally observed lack of technical capacity in this area.

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

*Based on § 3.1.3.1*

The absence in programming documents of upstream analysis of the partner countries' or regions' trade situation makes it difficult to contextualise and hence to assess the relevance of the proposed TRA interventions. In particular, programming documents do not give a clear understanding of the guidelines underlying TRA interventions.

Even if TRA interventions seem to address some of the partner countries' or regions' needs, programming documents do not allow framing of projects within a comprehensive, structured perspective. They remain obscure on the rationale behind the selection of TRA activities (why this and not that) as well as on their order of priorities. The main criteria for selecting TRA intervention indeed seem to be the requests of the partner countries or regions or, at regional level, a strategic Commission vision not necessarily based on factual analyses. More generally, the relative lack of contextualization of TRA programmes prevents proper identification of the fundamentals underlying the design of their content and of the manner in which they are intended to contribute to the broader objective of mainstreaming trade into national and regional development plans.

### **4.3 The Commission's strategic approach to TRA provision**

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

*Based on § 2.5.1, § 3.1.2.1*

At country level, even in countries where there is an important trade focus, TRA interventions are not conceived as a central articulation of the country strategy. As a result, TRA has been included in national programmes almost exclusively as a response to demands formulated by the partner country or region, and not as the result of a shared diagnosis of the needs nor of a strategic vision of the Commission (see conclusions 4 and 5).

Policy dialogue is not focused on trade issues, owing partly to the fact that trade responsibilities and capacities are fragmented, both in the Delegations and in the partner countries<sup>67</sup>. In countries where there is no Integrated Framework, little use has been made of policy dialogue to integrate trade issues into PRSPs or domestic policy documents. Policy dialogue has also not been used to raise the partner's awareness of the potential of trade in combating poverty and promoting development. As an illustration, in Moldova the policy advice project is assisting the government with the preparation of the PRSP but so far has not attempted to promote the trade aspects of the strategy.

On the other hand, at regional level - especially in the ACP region and to a certain extent Latin America - TRA interventions shape the regional strategies and the Commission's vision in terms of regional integration<sup>68</sup>. This vision is one of open regionalism, that is regional integration as a step

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<sup>67</sup> Efforts have been made to address this issue and, for instance, the TWG of the RIFF has been established as a focal point of the trade interests among the partner countries in the Eastern and Southern Africa region. It has nevertheless been initiated at regional level, where the dialogue on trade issues is more developed, and it did not result in increased integration of trade issues in the national documents.

<sup>68</sup> Operational considerations and differing political situations in the regions also contribute to the adoption of the regional channel as the preferred approach for Commission TRA in the ACP countries (see conclusion 1).

towards integration into world trade and the MTS and as a way of accruing “non traditional benefits” such as increased credibility of policies agreed between several partners, improvement in the conduct of trade policies, additional incentives for trade reforms, and so on. This strategy is based on European experience and comparative advantages in the area of regional integration, which gives the Commission natural leadership among donors in this area. The vision is shared with the partner countries or regions (as evidenced by the Cotonou agreement) owing to the attractiveness of the European integration model which is viewed as a success story (in terms of stability, democracy, peace-keeping, economic prosperity) both by the European Commission and many partner countries and regions (the extreme case of this is West Africa with the WAEMU).

In general it appears that at national level the programming approach tends to provide *ad hoc* responses to specific requests and is not used to increase awareness of the importance of trade in national poverty reduction strategies and other development programmes. At regional level the programming approach reflects a more strategic Commission vision.

This explains the pro-active high profile adopted by the Commission in the preparation of its regional approach and support to regional integration whereas it remains much more reactive in the negotiation of national strategies. Also, the difference between regional and country approaches has the negative consequence that where TRA is conducted essentially at regional level, the related country strategies and programmes do not adequately follow. The linkage between national and regional programmes is indeed weak and does not guarantee that national interventions strengthen regional efforts or *vice versa*.

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

*Based on § 3.3.1*

In the field of TRA interventions related to regional integration, the Commission has demonstrated a much more proactive attitude than in other TRA domains, as set out in conclusion 6. One also observes that the contextualisation of TRA interventions is much more developed in regional programming documents than in country programmes. As a result, the intervention logic is much clearer and more importantly, the programmes’ ability to produce tangible and significant results seems enhanced.

The Commission has certainly achieved substantial results in regional integration, and its activities can be considered as having significantly contributed to integration of the affected economies into the world trading system. For instance, in the Eastern and Southern Africa region, the Commission’s interventions contributed to a gradual strengthening of the various regional integration institutions and coordination of their activities. It has also been a decisive factor in the creation of an FTA inside the COMESA and its movement towards a customs union. Finally, it proved a key element in building the capacity of the COMESA to play a leading role in the Member States economies’ opening-up process, that is in their integration in the MTS and their positioning in future trade negotiations (e.g. WTO, EPA).

## 4.4 Implementation and results of TRA

**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.**

*Based on § 3.2.5 and § 3.2.3.2*

The Commission has recognised the need for delivery structures that are flexible in application and capable of ensuring rapid mobilisation of time-critical TRA (the latter being most apparent in relation to support for trade negotiations). In response to this need, one can cite the development of a trade-specific framework contract and the institution of a European Commission-ITC Trust Fund for Asian countries. The elaboration of the Guidelines for European Commission TRA is a potentially powerful instrument for overcoming implementation difficulties due to inappropriate programme and project design. The presence of trade specialists in the Relex services and in some Delegations proves to be an important factor in the successful management of TRA. The on-going development of an internal Website is intended to be an important informative instrument.

The fact remains that trade issues are evolving fast and often require swift responses. Commission programming tends to be too rigid, with long lead times before projects come on stream. Deconcentration and pragmatism in implementation have facilitated addressing of this problem but heavy procedures and programming delays continue to provoke situations where projects are started but, owing to the fast evolving trade situation and other circumstances, their content is already obsolete. Moreover trade reforms, given their systemic and comprehensive nature, cannot always be completed within one management cycle and require a succession of projects. From this point of view, gaps between projects are a severe obstacle to complementarity of interventions.

Finally, the practice of conducting analysis within projects and programmes rather than at an earlier stage as a global upstream analysis often results in projects being implemented when preconditions for successful implementation are not met or without the implementation of necessary complementary reform, which puts their sustainability at stake. Unmonitored preconditions are a major reason for delays and difficulties 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.**

*Based on § 3.3.2, §3.3.3, §3.3.4, §3.3.5*

Overall the Commission's TRA projects examined in this evaluation have been mostly well-used by the beneficiaries and have effectively contributed to mainstreaming trade into domestic policies, enhancing regional integration, fostering trade reforms and improving negotiation capacity.

Effectiveness proved higher for projects aimed at capacity building. Support provided to regional integration with a view to promoting an open regional model proved effective and well received. This type of support has been particularly effective in increasing the capacity of regional organisations and has promoted regional integration, at least in the ACP region. The beneficiary regions used it to prepare and adopt necessary reforms of their regimes.

Projects related to private sector development delivered their expected outputs which in most cases were taken up by the beneficiaries.

Significantly, the effectiveness in delivering the expected outputs remained high even for projects exhibiting efficiency problems. This is mainly explained by the fact that, in many cases, inefficiency was due to implementation delays which, as long as they did not diminish the relevance of the projects, did not prevent them from effectively delivering their expected results once implemented.

**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.**

*Based on § 3.3.5*

Several TRA productive sector projects analysed in this evaluation were implemented in an inappropriate, sometimes hostile, policy and regulatory environment or an economic environment with excessive constraints on development of trade activities (for instance because of the absence of properly functioning financial intermediary).

In such case, two main factors limit the ability of projects to deliver their expected outputs:

- Implementation of productive sector development projects at a stage when the country's overall structural reforms are not sufficiently advanced to permit reasonable conduct of business operations, without ensuring that the reforms are under way and without predicating project implementation of the structural reforms.
- Design of the project in isolation from the context and including elements which allow bypassing of the constraints of an inadequate policy and regulatory environment rather than addressing directly those constraints (a typical example is the allocation of resources to enable enterprises benefiting from a project to bypass the financial sector rather than using these resources to improve the performance of the financial sector).

In these circumstances, although the projects delivered results that were taken up by the partners, it is not clear how they contributed to the wider objectives of trade development since in some cases the main incentive for using the services offered under a project was their low cost or the fact that they provided concessionary schemes used to bypass the constraints of a hostile business environment.

These constraints were particularly encountered in "traditional" productive sector development projects as compared with "new generation" projects in the sense that the latter tend to incorporate the trade dimension in a more comprehensive way than the former. These projects responded better to the demands and were more intensively made use of by the partners when they included components relating to the first subset of the TRA typology, that is when they addressed technical constraints to trade.

However, although productive sector projects are increasingly comprehensive in addressing trade issues, their articulation with industrial trends and policies (including global or regional growth in trade and investment by sector) remains largely absent from the analysis underlying TRA programming. This, together with absence of differentiation of actions according to whether the partner belongs to an import-competing industry or an export industry, limits the achievement of the objectives of integration into the MTS.

## 4.5 Growing need for technical TRA (1<sup>st</sup> subset of TRA typology)

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

*Based on § 3.3.2, § 3.3. 4, § 3.3.5*

The outputs delivered by the Commission's TRA interventions are largely taken up and appreciated by the partner countries or regions. They respond to existing needs and, aside from widespread implementation delays, the related services are offered in appropriate forms.

TRA interventions in technical areas of the 1<sup>st</sup> subset of the TRA typology proved to have increased trade awareness, and related knowledge and capacities, among government officials or the concerned institutions. For TRA interventions targeted on the productive sector, despite the general regret that global needs could be more extensively covered, the proposed services have been widely used and have significantly contributed to improving the trade performance of productive sector operators.

There is indeed growing demand for TRA by partner countries or regions. This increase is due to evolution of the MTS, the partner countries having to comply with the international trade agreements of which they are members, but is also due the Commission's contribution to the deepening of international trade relationships, whether channelled through support to regional integration between partner countries or through numerous bilateral initiatives (AA, EPA, FTA).

It also stems from the observed trend towards a more and more complex trade regulatory framework for which the technical capacity of the partner countries and regions is certainly proving insufficient. This is particularly true as regards specific and technical trade issues such as SPS, TBT, ROOs or IPRs, which become crucial for the trade development of partner countries and regions.

**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.**

*Based on § 2.5.1 and information from the regional reviews recently elaborated by the inter-service task force on trade and development.*

Even if trade is not a focal sector in most CSPs reviewed for this evaluation, the documentary analysis reveals a clear trend towards increasing the trade content of the Commission's development and cooperation programmes, both through a higher share of resources devoted to subset 1 TRA projects and through higher content of TRA in projects aimed at strengthening the productive sector:

- Trade is either a focal sector or has a significant share of resources allocated in all RSPs elaborated for the 9<sup>th</sup> EDF. Support to regional integration has taken an increasing share of regional programmes in the last three EDFs.
- In the early years covered by this evaluation there were few subset 1 TRA projects in the country programmes. TRA interventions were mostly conducted through private sector development projects. These could be trade-related by design (export promotion projects) or by default (productive sector development and SME supports projects are trade-related only as long as the enterprises concerned have trade activities).



- An increasing number of subset 1 TRA projects (support to negotiations, support to WTO accession, standards and norms, SPS, TBT, support to competition) are included in country and regional programmes. Most of these have been developed recently and are currently at the programming or inception phases.
- Productive sector support projects are evolving towards projects including also more technical trade-related aspects such as quality certification, market access issues, SPS and HACCP, etc.

## 4.6 Cross-cutting issues

**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.**

*Based on § 3.5*

Many of the higher-level programming documents consulted demonstrate the Commission's ambition to handle crosscutting issues (either in abstraction or in relation to a specific activity in the NIP) but in practice there is little evidence of how this is to be achieved, as their superficial treatment in the TAPs and TORs of individual TRA programmes or projects demonstrates. Moreover, in contrast with other donors, consultants are not systematically invited to explain how they will factor crosscutting issues into project implementation during tendering processes and development of project Work Plans in the inception phases of TRA delivery.

A rather recent instrument in the Commission's work on cross-cutting issues, the Sustainability Impact Assessments provide a welcome contribution to vetting the economic, environmental and social consequences of European trade policy vis-à-vis third countries and regions but do nothing to address crosscutting issues at a programmatic level. The new Guidelines for European Commission Trade-related Assistance include coverage of Trade and the Environment and will be subject to further development and revision.



## 5. Recommendations

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### 5.1 Improve the identification and quantification of TRA

#### **Recommendation 1: Develop a system of accurate recording of TRA.**

*Based on conclusion 1*

Work undertaken so far by the Inter-Service Task Force can provide snapshot views of TRA interventions but needs to be systematised and expanded. This work has, however, already led the Commission to move forward in the provision of data marking. Sector categorisation has been introduced for projects from 2000 onwards, while for large programmes trade markers exist to identify the trade content of the different components but have not been used consistently.

It is recommended that a start is made on recording accurately what is done in terms of TRA using the CRS codes at project level so as to identify the exact resources devoted to the different TRA categories. To allow proper quantification of efforts undertaken and implementation progress, commitments and disbursements should be included in these records.

At present there is no central database<sup>69</sup> of the Commission monitoring missions in the different funding regions. The collection of such information, combined with the accurate coding of projects according to the TRA goals pursued, would allow comparative assessment of TRA according to common criteria of relevance, effectiveness, efficiency, impact and sustainability. Monitoring and evaluation teams should include adequate trade expertise. The correct classification of information requires more than merely recording procedures and must be accompanied by information aimed at the Commission staff on precisely what activities can be categorised as TRA.

Moreover, filing and archiving systems should be improved including the systematic electronic archiving of all key project files (from identification and formulation reports through overall and annual work plans, and quarterly and annual reporting undertaken during implementation).

### 5.2 Improve the diagnostic analysis prior to identification of TRA

#### **Recommendation 2: Base country or region strategies on a complete trade analysis to improve TRA programming and increase the contribution of TRA to comprehensive trade support reforms.**

*Based on conclusions 3, 4, 5, 7, 9, 10, 11 and 12*

Within the programming cycle, there is a need for basing country or region strategies on well-documented trade analysis. This should be in the form of a technical and comprehensive diagnosis by the Commission of the partner country's or region's situation and should be shared with the partner prior to the finalisation of the strategy<sup>70</sup>. Although the availability and the use of such analysis should be verified by the Commission services, the analysis itself should build on the existing work of other donors, the partner country, and any other appropriate source.

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<sup>69</sup> Monitoring reports are included in a subset of the CRIS database but without relation to the rest of the database.

<sup>70</sup> The procedure adopted for the elaboration of the West Africa RSP/RIP 2002-2007 has followed that pattern. A comprehensive technical report had been prepared by the consultants and discussed with all the parties at a seminar in Dakar before being used as a basis for drafting the final RSP/RIP.

Such pre-identification study should include an analysis corresponding to chapter 4 of the Guidelines for European Commission TRA. If this recommendation for a technical study prior to the CSP or RSP is not followed, then a documented answer to the questions highlighted in the diagram<sup>71</sup> “Where to start with TRA?” should be provided. This could substantially clarify the way in which TRA interventions should be designed so as to contribute to the elaboration of the comprehensive reforms necessary to generate a trade supportive environment.

Three main reasons support this argument. First, this analysis should constitute, along with consultation with the partner, the main element permitting adequate understanding of the country’s or region’s economic and trade situation. As indicated above, it is a prerequisite for correct identification of the partner country’s or region’s needs and a necessary condition for shaping projects likely to deliver appropriate responses and outputs. Second, the inclusion of such analysis in programming documents should contribute to clarifying the strategy underlying the set of projects programmed in a particular country or region. This would help those responsible for implementing programmes to distinguish their substance and relevance, thereby contributing to increasing the efficiency of TRA delivery by alleviating some of the currently observed difficulties in implementation. Finally, the contextualization that would stem from an upstream analysis would help emphasise the fundamentals leading to the setting-up of the programme, giving support, backed by evidence, to its content and clarifying its integration in the broader perspective of mainstreaming trade into development plans. As such, it would be an important element backing the establishment of a dynamic policy dialogue.

These programming practices would also offer the opportunity to make proper use of the numerous technical notes drafted or ordered with a view to documenting some of the aspects mentioned above. This documentary analysis seems under-utilised and its effective incorporation in the programming documents remains obscure. Such an enhanced set of programming documents, CSPs and NIPs included, would also have the merit of providing a clearer framework within which the Commission would define the specific programme objectives it is seeking to reach, and facilitate the downstream formulation of individual activities.

The upstream analysis should be framed as a standardised generic trade review applicable to any partner country or region and should cover its main trade policy features, its institutional environment, its trade performance and the positioning of trade within its development strategy or plan.

As an example, such an overview could incorporate the elements of the table “Trade review outline” hereunder<sup>72</sup>. It should be completed by an inventory of the country’s needs established in collaboration with national authorities as well as an inventory of what is being implemented in this area by other donors<sup>73</sup>. The recently elaborated Guidelines for European Commission TRA recommend reviewing some but not all these aspects<sup>74</sup>.

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<sup>71</sup> Section 4.3 of Guidelines.

<sup>72</sup> The table is inspired by the outline of TPR and retains the elements that are relevant for the programming of TRA.

<sup>73</sup> This approach is close to that adopted by the WTO, where the identification of the country’s needs in terms of TRA is included in the country’s Trade Policy Review (TPR) and has been to a certain extent observed by the evaluators in the programming practices of other TRA donors (e.g. the USAID STAR programme in Vietnam).

<sup>74</sup> See Guidelines for TRA, Technical Note 1.

### Trade review outline

- 1. ECONOMIC AND TRADE ENVIRONMENT**
  - 1.1 RECENT ECONOMIC DEVELOPMENTS  
Economic growth and structure, fiscal stabilization and balance of payments analysis
  - 1.2 DEVELOPMENTS IN TRADE  
Overview of trade performance, merchandise trade and trade in services
  - 1.3 TRENDS IN FOREIGN INVESTMENT  
Overview of FDI in and outflows, geographical and sector distribution
  - 1.4 OUTLOOK  
Short and medium term economic perspectives and economic policy agenda
- 2. TRADE AND INVESTMENT REGIME**
  - 2.1 INSTITUTIONAL FRAMEWORK  
Organisation of the regional institutions, decision process, domains of competences
  - 2.1 DEVELOPMENT AND ADMINISTRATION OF TRADE POLICY  
Policy formulation and implementation, main trade-related laws and common regulations and trade policy objectives
  - 2.3 TRADE RELATIONS  
Multilateral, regional and bilateral trade agreements
  - 2.4 FOREIGN INVESTMENT REGIME  
Investment statutes and international investment agreements
- 3. TRADE POLICIES AND PRACTICES BY MEASURE**
  - 3.1 MEASURES DIRECTLY AFFECTING IMPORTS
    - (i) Customs procedures
    - (ii) Customs valuation, clearance and inspection
    - (iii) Rules of origin
    - (iv) Tariffs
    - (v) Tariff quotas
    - (vi) Variable import levies
    - (vii) Other charges affecting imports
    - (viii) Import restrictions and licensing
    - (ix) Import quotas
    - (x) Balance-of-payments restrictions
    - (xi) State-trading enterprises and import cartels
    - (xii) Import surveillance
    - (xiii) Anti-dumping, countervailing and safeguard measures
    - (xiv) Standards and other technical requirements
    - (xv) Free trade zones
    - (xvi) Other measures
  - 3.2 MEASURES DIRECTLY AFFECTING EXPORTS
    - (i) Registration and documentation
    - (ii) Export prohibitions and licensing
    - (iii) Export charges
    - (iv) Export monopolies
    - (v) Performance requirements
    - (vi) Export promotion activities
    - (vii) Measures maintained by importing countries
  - 3.3 MEASURES AFFECTING PRODUCTION AND TRADE
    - (i) Production incentives
    - (ii) Adjustment and regional assistance
    - (iii) Public sector enterprises and their reform
    - (iv) Trade-related intellectual property rights
    - (v) Government procurement
    - (vi) Competition policy

The diagnosis of the trade-related institutional strengths and weaknesses of the partner is an essential element in identifying appropriate TRA and could be the object of a systematic approach. An interesting example is the DFID approach, which includes a Trade and Poverty Programme designed and managed centrally but implemented taking account of the local situations. It involves a Trade Institutional Review whose outline is given in the following table.

**Contents of Trade Institutional Reviews of DFID Trade & Poverty Programmes**

1. Assessment of the Government institutions
2. Key capacity issues in the Government sector
3. Assessment of private sector organisations
4. Assessment of academic research institutes and civil society organisations
5. Assessment of intra-governmental and partnership consultation mechanisms

### **5.3 Strengthen the dialogue on trade-related issues between the Commission and the partner countries and between the Commission, the RIOs and their member states**

**Recommendation 3: Move from a reactive approach to partner's demand towards more strategic identification and implementation of TRA.**

*Based on conclusions 4, 5 and 7*

The design and implementation of TRA interventions require a deep and efficient policy dialogue. First, trade is a key issue that cannot be conducted in isolation from the global set of economic policies. Second, it becomes a more and more complex and technical field for which the capacities of a number of partner countries or regions in terms of human resources and equipment are insufficient. Third, owing to the fast evolution of trade-related issues, TRA needs are constantly changing and responses must be adapted accordingly.

Given this, a policy dialogue predominantly aimed at ascertaining the demands of partner countries or regions is insufficient (as emphasised by conclusions 4 and 5), notably because the partner country does not always have the resources and the capacity required to assess its real needs. This evaluation concludes that domestic policy documents, in particular PRSPs which should encompass the whole poverty reduction dimension, tend to be very limited on the income generation potential aspects of trade.

This calls for a policy dialogue in which not only partner countries and regions express their view, but also in which the contribution of the Commission's understanding and awareness of trade-related issues is more pronounced. From this point of view, the Commission's potential capacity to inform and share in-depth analysis of TRA needs with the partner countries is clearly under-exploited.

In those domains in which, given its experience, the Commission has a comparative advantage, as for example in regional integration - including areas such as standards, customs and "four freedoms" - the Commission should adopt a more dynamic approach as it is well positioned to shape TRA programmes and is capable of achieving significant results (see conclusion 7). With effective programming modalities, the Commission has the capacity to impact positively on trade

issues and is well positioned to promote further liberalisation and integration compatible with the MTS, and to mainstream trade into its development policies and activities.

Finally, to ensure that Commission TRA interventions contribute to the general objective of maximisation of the partner's participation in and benefits from international trade, it is essential that policy dialogue extends beyond monitoring of trade commitments and market access provisions. It should aim at making integration into the MTS instrumental in the partner's strategy of poverty reduction and sustainable development. This has major implications for TRA linked to support to trade negotiations:

- Policy dialogue should be supportive of development-driven outcomes of future trade rounds and be based on a clear understanding of the partner's needs.
- Support to negotiations should help countries to prepare positions that (i) fit into the agenda of the international trade rounds, (ii) identify how their interests can be favoured or harmed by the results of the negotiations.
- It requires a long-term effort to build up a relationship of confidence and provision and development of internal expertise. In this regard, the long-term advisers to the COMESA provided by the RIESA project constitute a commendable example.

These points are important in view of the commitments mentioned under section 2.3 "Integrating development into trade: the Doha Development Agenda" and to permit TRA to support trade negotiations so as to develop their full potential.

This recommendation must be linked with recommendation 2 calling for a detailed upstream trade analysis of the partner country or region. Such dynamic policy dialogue can be only based on a comprehensive vision of the country's or region's trade situation, an exercise for which partner countries and regions have insufficient capacity most of the time.

**Recommendation 4: When countries are members of a regional integration organisation, stronger coherence between the respective strategies should ensure identification of the TRA support needed by each member country to implement the reforms necessitated by the agreed regional trade arrangements and commitments. The involvement of the regional institutions in the preparation of the country strategies would facilitate such identification.**

*Based on conclusions 4 and 6*

So far the preparation of country strategies and national programmes of countries belonging to a common regional trade arrangement is undertaken independently for each country and without clear articulation of and linkage to the regional programme.

Insofar as in some cases TRA is mainly channelled through regional programmes, this creates a discrepancy between the strengthening of institutional mechanisms at regional level and the absence of capacity of the member states to implement their regional and international commitments. The divergence becomes more important as the regional integration process progresses and generates new obligations.

The recommendation is therefore to associate regional integration organisations in the preparation of the country strategies and NIPs of their member states so as to help them identify the needs resulting from the regional arrangement. This must also be reflected in the coordination and consistency of the response strategies proposed in CSPs and RSPs.

#### **5.4 Better adapt the functionalities and better use the existing competencies of the Commission Services to programming and delivery of TRA**

**Recommendation 5: To include TRA as a central focus in programming, it is necessary for the Delegations and the Commission Services in Brussels to make better use of sources of knowledge on of trade issues.**

*Based on conclusions 2, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13*

There is a growing demand for TRA with an emphasis on more and more technical issues. Moreover, in the context of the Doha Development Agenda, the Commission has committed itself to increasing efforts conducive to mainstreaming trade into development. TRA is one of the favoured instruments of such a policy. The Commission must therefore develop its capacities to handle and appropriately treat trade-related issues. In particular, further efforts need to be made to develop the trade-development nexus and to look at trade issues from a developmental standpoint.

This can be achieved first by appropriate allocation of the resources available to the Commission Services. At present, most trade capacity resides within DG Trade. Other Directorates General (DGs) and Delegations in the countries and regions concerned with TRA could also greatly benefit from the presence of experts specialised in trade. Their knowledge could prove extremely valuable in programming and identifying project phases, that is when the content of TRA interventions is defined through the diagnosis exercise and the subsequent elaboration of responses. Since it is likely that, at least in the short run, additional resources are not available, efforts should aim at better using the existing ones, increasing training activities and cooperation between the Services, and involving technical DGs. In this regard, the following suggestions should be made operational:

- The Commission has begun to organise in-house training on trade and development. This type of training is essential to increase the familiarity of the Commission's staff with trade issues and practices and such initiatives should certainly be reinforced. From this point of view, it is suggested that the Inter-Service Task Force recently established could serve as a natural promoter and that, although already constituting remarkable progress in this direction, the Guidelines for European Commission TRA should continue to be developed and improved. Workshops could be extended to further deepen the Services' understanding of the relationship between trade and development and the theory and practice of international trade (from both legal and economic perspectives) and best practice in terms of TRA programming, identification and formulation.
- TRA programmes are incorporating more and more complex and technical aspects. At the same time, the mainstreaming of trade into development leads to addressing trade questions in a broad and comprehensive way. Trade is by essence a horizontal issue reaching many aspects of the economy. The increase both in technicality and in comprehensiveness calls for TRA programming practices that draw not only on the Commission's existing trade-related resources but also on those whose technical competences could appropriately be used in TRA programming. For example it seems natural that DG Trade, as a genuine trade resource, should participate in drawing up a standard roadmap for support to WTO accession or EPA negotiations. At the same time, the development of a standard roadmap for implementation of customs reforms could benefit from the support and involvement of DG Taxud and DG Enterprise in the design of SME support projects.



## 5.5 Improve efficiency and effectiveness in implementation of TRA

**Recommendation 6: Develop instruments of TRA intervention that can be rapidly mobilised or adapted to changing situations.**

*Based on conclusion 8*

Conclusion 8 points to the need for developing instruments to facilitate identification and swift mobilisation of competent expertise, to increase flexibility in project implementation and to facilitate coherence and continuity across successive and complementary projects.

Positive developments in this direction are already evident in the ITC-EC Trade Trust Fund for Asia and the new Framework Contract, lot 6. Others are in preparation, for instance, the launch of dedicated trade and development training for Commission Staff. These initiatives are commendable and should be pursued.

Moreover, the European Commission is increasingly adopting Sector Wide Approaches (SWAp) to support sector reforms and is using Budget Aid as a channel for transferring resources. So far this approach and instruments have been employed mainly to support reforms in the social and in the transport sectors. They could usefully be adopted for supporting trade reforms and the integration of the partners' economies into the world trading system. SWAP is particularly suitable for sector reforms that require mutually supportive activities in a large number of different areas. Trade is such a sector and the simultaneous and complementary development of the "trade building blocks" illustrated in diagram 2 of this report can only be achieved if all the dimensions are addressed in a comprehensive manner.

Budget aid (BA) is an ideal instrument for implementing and funding reforms central to the core economic policies of a country. Given its characteristics, it can contribute to reducing a number of weaknesses and problems identified in this evaluation. Firstly, a sound policy dialogue around a strategic vision shared by the partner and donors and based on solid analytical foundations is imperative<sup>75</sup>. This is likely to address one of the major problems highlighted in this evaluation, namely the lack of strategic vision supporting identification and implementation of TRA. Secondly, a major characteristic of the Commission Budget Aid is to include substantial technical assistance with a view to building the partner's capacities to formulate, implement and monitor policies. And third, channelling funds through the partner's budget using its own procedures should help avoiding a number of difficulties linked to programming rigidities. The training already provided on Project Cycle Management could be adapted to cover interventions in the trade area. Finally the main TA services should include enough provision of *ad hoc* short-term specialised expertise to obviate the need for additional tendering.

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<sup>75</sup> Guide méthodologique pour la programmation et la mise en œuvre des appuis budgétaires dans les pays tiers. Mars 2002. Aidco-Dev-Relex.

**Recommendation 7: Improve sequencing of activities within a particular project or across a set of projects contributing to the same reform(s) and allow for more continuity.**

*Based on conclusions 8 and 9*

To avoid the difficulties mentioned in conclusions 8 and 9 resulting from implementation when prerequisites are not met and from inappropriate sequencing of activities within a project or gaps between successive projects, the following steps are recommended:

- Link intervention to upstream diagnosis on comprehensive reform needs (see recommendation 4).
- Establish a diagnosis of how to implement complex TRA interventions including the critical path of preconditions, reforms and activities. In the case of customs projects, DG Taxud should be asked to draw up a standard implementation matrix.
- Allow for longer interventions or improve linkages between successive projects addressing the same reform (reduce uncertainty, increase visibility, etc.). This point is especially important where the processes involved are very long (reforming customs, WTO accession, strengthening regional integration).

These measures should permit development of projects with longer timeframes, and sequenced in a manner that allows for greater continuity (i.e. avoiding overlaps or hiatuses in procurement processes and over-reliance on short-term contracts that prevent recruitment and retention of effective consultant teams) once the project momentum, and the pre-condition of a shared Donor-Beneficiary vision on TRA objectives, have been achieved.

## **5.6 Develop a more systemic approach when designing and implementing productive sector development TRA and simultaneously improve the inclusion of trade-related technical issues (SPS, TBT, ROO, anti-dumping) both horizontally and in sector programmes**

**Recommendation 8: Design and implement productive sector development TRA projects taking into account the major trade characteristics of the partner and the constraints of the business environment.**

*Based on conclusion 9*

To achieve the objective of integrating the partners' productive sectors into the world economy and the MTS, it is essential that productive sector projects be adequately related to industrial trends and policies. For TRA targeted on development of the productive sector, it is therefore recommended, as a complement to recommendation 1: (i) systematic analysis of the evolution of global and regional trade patterns, revealed or potential comparative advantages, and in general the elements allowing development of the most promising trade development strategies; (ii) better account taken of whether the partner belongs to an import-competing or an export industry, and modification of the intervention accordingly.

To avoid projects that deliver effective results but have little impact it is recommended that productive sector development projects be implemented when the reforms needed to create an enabling business and trade environment are sufficiently advanced to permit their implementation. If this is not the case, then these constraints should be addressed simultaneously and the specific projects integrated into a comprehensive reform. These trends are present in the new generation of productive sector development projects and should be encouraged.

**Recommendation 9: Where the technical capacity of the partner country or region is limited, systematically include technical (subset 1) TRA in the support provided.**

*Based on conclusions 11 and 12*

An significant proportion of TRA interventions is programmed in countries or regions for which the lack of capacity to comply with the trade regulatory framework is a growing problem. As these partner countries engage in international trade or in the preparation of trade negotiations (in particular in relation with WTO accession and EPAs), their demand for TRA is growing and increasingly concerns technical trade issues. One of their most important trade challenges is to increase their capacity to export local products on developed countries' markets. Their efforts nevertheless face technical barriers to trade (TBT), in particular taking the form of zoo-sanitary and phyto-sanitary (SPS) requirements, norms and certification, anti-dumping measures (AD) or rules of origin (ROO). In recent years, such obstacles have substantially increased in complexity and constitute a major factor limiting access to export markets<sup>76</sup>.

Given their limited technical capacities, developing countries encounter substantial difficulties in understanding and meeting such requirements. This results in a growing demand for a more pronounced inclusion of subset 1TRA activities. This problem is understood by the Commission and addressed through the provision of technical TRA programmes that are currently transversal to activity sectors. However, specific projects related to agriculture, private sector development and SMEs should systematically provide for an assessment of the partner countries' or regions' capacity to handle these technical trade issues and, where that is insufficient, recommend activities related to market access. There are two reasons for this: (i) some trade-related issues are internal to specific sectors and even enterprises (for example, SPS); and (ii) inclusion of TRA in sector projects and programmes is necessary to stimulate operators' understanding of the need and the capacity to take advantage of horizontal TRA interventions.

## **5.7 Improve awareness and incorporation of cross-cutting issues in TRA interventions**

**Recommendation 10: Develop procedures to encourage the factoring of crosscutting issues in the implementation of TRA activities.**

*Based on conclusion 13*

The Treaties and the different Regulations require that crosscutting issues be taken into account as part of the pursuit of the major objectives of economic and development cooperation. In practice, crosscutting issues are not really integrated in the Commission's TRA interventions.

SIAs are an important step in this direction as they impose inclusion of crosscutting issues in the process of international trade negotiations. However they are not programming instruments.

Based on these considerations it is recommended that integration of crosscutting issues is pursued through the following measures:

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<sup>76</sup> As an example, in Kenya the complexity of the SPS rules in the case of exports of fruits and vegetables is perceived as an obstacle for the Horticultural Crops Development Authority to penetrate new markets.

- Tendering processes should systematically request consultants to explain how they intend to address crosscutting issues in TRA activities.
- The inception phase of TRA projects should systematically highlight how crosscutting issues will be tackled in operational work plans.
- When they exist, SIAs should be systematically referred to in the diagnostic analysis suggested under recommendation 2 since they study the impact of trade liberalisation on the environment, the social dimensions and the economic development of the trade partners.
- Attention should be given to providing support to help partner country exporters to comply with compulsory EU environmental requirements, as well as with voluntary social and fair trade labelling. This will help exporters increase their trade with the EU and other developed countries in a sustainable way.

## Annex - Terms of reference

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EUROPEAN COMMISSION  
EuropeAid Co-operation Office

General affairs

**Evaluation**

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### **Evaluation of Trade-related Assistance (TRA) by the European Commission in Third Countries**

#### **TERMS OF REFERENCE**

*Final*

08/06/04

## TERMS OF REFERENCE FOR AN EVALUATION OF TRADE-RELATED ASSISTANCE BY THE EUROPEAN COMMISSION IN THIRD COUNTRIES

### 1. INTRODUCTION: FRAMEWORK, AND OBJECTIVES OF THE STUDY

1.1. Systematic and timely evaluation of its expenditure programmes is an established priority for the European Commission, as a means of accounting for the management of allocated funds and as a way of promoting a lesson-learning culture throughout the organisation. The Commission Services have requested the Evaluation Unit of the EuropeAid Co-operation Office to undertake an Evaluation of Trade-related Assistance (TRA)<sup>1</sup> in third countries. The request for this study was endorsed by the Board of the EuropeAid Co-operation Office at its meeting on 29 November 2001.

### 2. THE POLICY BACKGROUND

2.1. In recent years, trade has played an increasing role in co-operation policy with developing countries, becoming a central component. Recent communications on development policy, and the Ministerial Declaration of Doha and other bilateral partnerships (eg Economic Partnership Agreements under Cotonou) stress the need to merge trade and development co-operation effectively and coherently. The Doha conference of 2001 reinforced the multilateral trading system, and showed recognition among WTO members of the need for a comprehensive strategy for trade-related capacity building. A number of initiatives towards less-developed countries, including greater attention to trade in Poverty Reduction Strategy Papers (PRSPs), a joint “Integrated Framework” (IF) for mainstreaming trade, and a Joint Integrated Technical Assistance Programme (JITAP), reflect the shared ambition to improve donor co-operation in this field. The recent Commission Communication *Trade and Development: assisting developing countries to benefit from trade* (September 2002), which is described further below, sets out an integrated approach which includes as a central element the planning and delivery of effective trade-related technical assistance.

2.2. The Commission has recognised that trade liberalisation cannot create opportunities for economic growth and sustainable development without a commensurate effort to assist those developing countries wishing to integrate into the world trading system, and without an adequate effort undertaken by those developing countries themselves to reform their domestic policies where this is required. Trade-related Assistance (TRA) is now a central pillar of the Commission’s capacity-building agenda for developing countries, and with

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<sup>1</sup> It should be noted that the term Trade-related Technical Assistance (TRTA) is used in many Commission documents. In this TOR we mostly use the more generic term Trade-related Assistance (TRA) to take account of variations in terminology between different regions

this in mind Country and Regional Strategy Programmes (CSPs/RSPs) should contain clear references to the approach taken to trade and integration<sup>2</sup>.

- 2.3. However, these policy statements and consequent efforts to “mainstream” trade were made only in the last few years. A significant number of interventions were made in the period 1996-2000 which fall within the scope of “technical assistance to trade development”, but which predated the formal statements linking trade and development goals (notwithstanding the existence of very broadly-worded declarations in the Lomé Convention or in GATT). These interventions should nevertheless provide lessons about the implementation of Commission activities and the impact of expenditure in this field, and could provide points of comparison against which to assess current co-ordination, implementation and management practices.
- 2.4. It has been estimated that the volume of resources allocated to TRA between 1995 and 2000 reached a total of around €576 million<sup>3</sup>, with an average project size of €7.686 million. However, the Commission services admit that it is difficult to be precise about the exact amounts allocated to TRA, given the lack of a standard workable definition covering all geographical regions, particularly in earlier years. There is also a lack of precise project data entry codes for TRA which could be used for research purposes (ie TRA projects could well be classified under other headings such as economic co-operation, rural development etc). For this reason, providing a working definition, basic typology and a set of key clusters<sup>4</sup> of TRA actions will be a key element in preparing this evaluation.
- 2.5. The geographical repartition of allocated funds in 1995-2000 was approximately as follows:

ACP – 70%  
Asia – 9%

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<sup>2</sup> The Commission’s development policy document of May 2000 included reference to a trade and development priority area. This was described as: “*trade and development, including the development of trade and investment policies, assistance with integration into the multilateral trading system and into the world market, including by trade related technical assistance and support for increasing capacity in trade and strengthening the competitiveness of the private sector*”. More broadly, the international community has become increasingly conscious of the obligations and constraints confronting developing countries since the Uruguay Round of trade talks. The relationship between the Doha agenda and the focus of Country Strategy Papers, and other multilateral programmes in which the Commission is a stakeholder, will be an especially important issue for the evaluation.

<sup>3</sup> For the period 1997-2002 the equivalent figure is estimated to be €641 million

<sup>4</sup> Broadly, these could be defined as follows:

*working definition* = to define TRA, for the purpose of the evaluation, in a manner which covers actions of the type articulated in para 1.6 for the different geographical regions;

*typology* = a description (not an exhaustive list) of the diversity of projects in the field of TRA, and the kinds of programmes (eg trade, rural development, institutional support) and instruments (eg budget lines, STABEX etc) under which they are found;

*clusters* = types of trade development where significant volumes of TRA assistance may be found (eg customs, phyto-sanitary etc), described so as to help to focus the analytical part of the evaluation.

TACIS – 3%  
Latin America – 4%  
Mediterranean – 13%  
Other – 1%<sup>5</sup>

- 2.6. In ACP countries, an average of 5% of each National Indicative Programme (NIP) was dedicated to TRA/Capacity Building. Large amounts have also been allocated from regional programmes. ACP thus represents the most important region in terms of the relative volume of EU resources devoted to TRA. The largest group of TRA projects took place in the field of administrative reform, followed by commercial development and co-operation activities (but with a significant minority of projects involving a mix of these different activities).
- 2.7. The main types of action associated with TRA are:
- technical assistance and capacity-building for commercial policy and trade-related regulation, including preparation for multilateral trade negotiations;
  - commercial development;
  - activities in the field of economic co-operation with an incidence on trade.

### 3. CURRENT DEVELOPMENTS

- 3.1. The Commission's attention in its trade and development policy has evolved significantly since Doha. The new approach depends upon in-depth analysis of risks and opportunities in partner countries and the identification of key elements in a trade strategy (analytical capacity, capacity to elaborate trade policy, regional trade agreements, multilateral agreements, preparation of EU-ACP and other similar partnership agreements). In the future, some reflection will be devoted to whether a "sectoral" approach could be derived from this, with heavy involvement of partners and a co-ordination of donors consistent with the SWAp as practised in other fields.
- 3.2. The Commission Communication *Trade and Development: assisting developing countries to benefit from trade*<sup>6</sup> sets out an approach centred on support for economic reform, increased market access and effective trade-related technical assistance. Quality as well as volume of TRA should be increased and institution and capacity building should be accelerated at both national and regional level (to favour both *south-south* and *south-south-north* integration, recognising the central importance of regional integration to trade policy). Furthermore, supporting activities such as telecommunications, transport infrastructure and energy should be designed with trade-related objectives in mind.

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<sup>5</sup> These figures are purely indicative and should be used with caution.

<sup>6</sup> COM (2002) 513 final, adopted on 18 September 2002



**3.3.** Within the Commission services, a task force has been established with the task of facilitating TRA implementation, linking areas of interest including the follow-up to Doha, the contents of CSPs and the identification of programmes and projects. This task force began its work by reviewing the current policy documents and intentions applying to different regions. The idea is to build on this material to ensure a consistent approach in the design and implementation of policies on trade and development and the mainstreaming of trade guidelines into country strategies. In addition to the task force, a thematic network within EuropeAid Co-operation Office (AIDCO) is assisting in the preparation of guidelines and communication between Commission headquarters and delegations, contributing to solving potential difficulties and bottlenecks in delivery<sup>7</sup>. AIDCO has set up a trade and development web-site to serve this activity. The evaluation should take account of the work undertaken by these groups, and the team of experts will be expected to liaise with their key members at an early stage in the process.

#### **4. THE EVALUATION'S BASIC COMPONENTS**

##### **4.1. The main aims of the evaluation are:**

**(i) to identify key lessons from the Commission's past co-operation in TRA, focusing on procedures and implementation issues and the way they affected the impact of specific actions against their objectives;**

**(ii) in the new policy context, to assess and judge the current programming of TRA actions, in particular with regard to lessons learned from the past and to the integration of trade assistance in country and regional strategy papers and indicative programmes. This would include examination of coherence with other policies, the complementarity with the activities of other donors, and co-ordination issues.**

**(iii) to make recommendations<sup>8</sup>.**

The report will thus focus on the impact of actions undertaken between 1996 and 2000 (where this can be measured), but will also assess the approach taken to programming TRTA assistance in country/ regional

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<sup>7</sup> The Commission has already contributed to a new working definition of TRTA which has been produced by the World Trade Organisation in order to update the Doha database. This is attached in annex 1 of the TOR, along with more detailed working documents on TRTA definition supplied by the Commission services.

<sup>8</sup> Recommendations should be concrete and should specify which actors are primarily responsible for action. They should be ranked and prioritised according to their relevance and importance to the purpose of the evaluation (also they shall be cross-referenced back by paragraph to the appropriate conclusions).

strategy programmes and indicative programmes since 2000. The assessment and judgement of the current approach should also take account of the extent to which lessons have been learned from the past (eg from evaluation and monitoring reports), the effect of the reform of the RELEX services and the emergence of a truly multilateral approach in EU trade policy.

- 4.2. The evaluation will present its conclusions, along with a set of detailed and operational recommendations, in a report designed primarily to assist the Commission's policy-makers and managers in the implementation of strategies. The evaluation should also contribute to the development of a harmonised approach to assuring policy coherence and mainstreaming of TRA in development policies.

The basic approach to the evaluation will consist of *three main phases* in the course of which *four sequential methodological stages* will be developed. This approach will call upon *five key evaluation criteria*.

#### 4.3. Three Main Phases of Development

- ❶ Desk Phase
- ❷ Field Phase
- ❸ Final Report-Writing Phase

#### 4.4. Four Methodological Stages

- ❶ Structuring of the evaluation
- ❷ Data Collection
- ❸ Analysis
- ❹ Judgements

#### 4.5. Five Key Evaluation Criteria

The evaluation will be based on *five key evaluation criteria*: relevance, impact, effectiveness, efficiency and sustainability. The criteria will be given different weight according to the precise evaluation questions (see section 6 below) which will be elaborated by the consultants and discussed with the steering group. Essentially, however, the five criteria are used as follows:

- ❶ Identify, explain and hierarchise the EC's TRA objectives in terms of their intervention context, logic and coherence. Identify key clusters or major areas of activity where TRA support has been focused, with a view to subsequent analysis. Assess the *relevance* of TRA objectives, programme and actions,

both to the Commission and EU's more general objectives and to the priorities and needs of beneficiary countries and surrounding regions<sup>9</sup>.

② Identify recorded *impacts*. Where possible, assess the *intended impact* corresponding to each objective, indicating how these intended impacts fit within broader (economic, political, environmental) contexts. Identify *unintended impacts* or dead-weight/ substitution effects (and compare them to intended impacts). Finally, assess (as far as possible) the *overall global impact* of the strategy/objectives and their component programmes and activities.

③ Assess *effectiveness* in terms of how far intended results were achieved (actual results).

④ To the extent that the interventions were effective, assess the *efficiency* of TRA delivery in terms of how far funding, personnel, regulatory, administrative, time and other resources and procedures contributed to, or hindered the achievement of results. In the case of TRA, the contractual procedures operating in relation to technical assistance missions would be covered under this point.

⑤ Assess the *sustainability* of the strategy/strategies and their component programmes, that is the extent to which their results and impacts are being, or are likely to be, maintained over time.

## 5. COVERAGE OF THE EVALUATION

5.1. The evaluation will cover the Commission's actions on the field of technical assistance for trade development and capacity building (TRTA/CB), principally during the period since 1996. It will take account of the link between actions supported by the Commission and the higher trade policy objectives, with particular attention to those concerning developing countries (eg Part IV of GATT). The regions covered will be the ACP countries, Asia and Latin America, the Mediterranean, NIS and countries covered by the CARDS Regulation. The evaluation will focus on specific TRTA/CB programmes (to be defined in agreement with the steering group after discussion of the budget lines and regulations which are involved); however, it should also take account of activities with similar objectives pursued under the headings of economic co-operation, technical assistance, regional integration, enterprise restructuring etc.

5.2. In choosing specific countries in which to examine TRA policy and projects in more detail (including case studies during the field phase), the evaluators will act on the basis of rational criteria agreed with the Steering Group.

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<sup>9</sup> Given the apparent lack of clarity on the exact frontiers of economic co-operation, TRA, private sector development, enterprise restructuring etc, it will be necessary to agree a working definition of TRA with the steering group for the evaluation at this stage (see below).

5.3. For practical purposes, the evaluation will focus on spending covering the following main activities:

- technical assistance and capacity-building for commercial policy and trade-related regulation, including preparation for multilateral and regional trade negotiations;
- commercial development;
- activities in the field of economic co-operation with an incidence on trade.

The precise sectors and “clusters” covered by this spending will be identified during the structuring phase of the evaluation. These may include, for example:

- standards, norms and technical regulation;
- sanitary and phytosanitary measures;
- intellectual property rights;
- investment;
- customs questions;
- exchange of services;
- trade facilitation;
- trade and regional integration;
- competition-related issues;
- other WTO issues;

Given the lack of harmonised terminology during the period under study (the OECD, WTO and Commission definitions currently available did not apply at the time), **one of the key initial challenges of the evaluation will be to define an agreed working definition of TRA covering all the regions to be analysed.** In this context, the evaluators might also wish to consider the appropriateness of current plans for classification of TRA activities being considered by the Commission services.

*Overall, the results should be:*

*(i) an ex-post evaluation of the impact of the EC strategy and actions over the periods 1996-2000 (taking account of implementation aspects and procedures), measured against the policy objectives (notably of country and regional strategies) which applied during the period under study;*

*(ii) an assessment of the relevance, logic and coherence, as well as the intended impacts of the EC’s TRA strategy for the period 2002-2006, taking account of developments in the policy and institutional background and in the evolution of procedures.*

*(iii) an assessment of the steps being taken to relate TRA spending to the priorities established in the Communication on Trade and Development, including the role of TRA in “mainstreaming” trade into country and regional strategy papers.*

## 6. MANAGEMENT AND SUPERVISION OF THE EVALUATION

- 6.1. The management and supervision of the evaluation will reside with the *Evaluation Unit* of EuropeAid Co-operation Office. The evaluation manager and first point of contact will be Douglas Carpenter (tel: 02 295 4895).
- 6.2. The progress of the evaluation will be followed closely by a Commission *Steering Group* consisting of members of the RELEX family services as well as other relevant Directorate Generals under the chairmanship of the Evaluation Unit.
- 6.3. The principal functions of this Steering Group will be:
- to discuss the Terms of Reference drawn up by the Evaluation Unit as well as the evaluation questions proposed by the consultants;
  - to discuss the intermediary note and subsequent reports (see section 6 below) produced by the consultants
  - to act as interface between the consultants and Commission services;
  - to provide the consultants with information and documentation on activities undertaken in the sector;
  - to advise on the quality of work done by the consultants;
  - to assist in feedback of the findings and recommendations from the evaluation into future programme design and delivery.

## 7. EVALUATION QUESTIONS

- 7.1. The evaluation of the European Commission's strategy for TRA will be based on a *set of key questions*. These questions are intended to give a more precise and accessible form to the *evaluation criteria* (see section 3.3 above) and to articulate the key issues of concern to stakeholders, thus optimising the focus and utility of the evaluation.
- 7.2. Identified in the first instance by the evaluation team, these evaluation questions (a *maximum of 10*) should be based upon a reconstruction of the intervention logic which includes the identification of key *thematic clusters*; these should accord with the main issues relating to the Commission's activities in the field of TRA. The evaluation questions will be discussed with the Evaluation Unit, and finally debated within, and validated by the Steering Group.
- 7.3. For each Evaluation Question there should be at least one appropriate *Judgement Criterion*, and for each such criterion the appropriate quantitative and qualitative *Indicators* will be identified and specified. This, in turn, will determine the *appropriate scope and methods of data collection* (see section

6.1.3 below). Besides specific answers, the evaluation questions should also lead the evaluators to produce an *overall assessment* of the EC co-operation programmes and strategies in the field of TRA.

- 7.4. Questions should be drafted in such a way that they clearly reflect an *evaluation exercise* (which calls for a judgement of quantity, quality and/or intensity). For instance, the evaluation question on implementation issues (present in most evaluations) could be drafted as follows: *How far has the implementation and delivery of EU-supported activities, especially the choice of beneficiaries, funding instruments and donor mix, facilitated the achievement of specific objectives?*
- 7.5. Among the Evaluation Questions, at least one should assess how far the programme has integrated ***crosscutting issues*** (gender, environment and human rights), as well as how far it took account of ***co-ordination, complementarity and coherence*** aspects (as mentioned in Article 177 of the Maastricht Treaty).

## 8. THE EVALUATION'S THREE PHASES AND REPORTING

### 8.1. Desk Phase

#### 8.1.1. *Starting the Evaluation and producing an Inception Note*

Prior to embarking in the structuring phase of this study, members of the evaluation team (external consultants) will participate in a launch meeting with the Evaluation Unit. This meeting will be based on an *Inception Note* in which the team leader will have set out in full: (i) the team's understanding of the Terms of Reference, (ii) their proposed *general* approach to the work (methodology, scope, etc.), (iii) the *provisional* proposed composition of the full evaluation team (with CVs), (iv) a budget proposal.

This Inception Note will be circulated to the Steering Group members for comments.

#### 8.1.2. *Structuring the Evaluation and drafting an Intermediary Note*

Once the Inception Note has been circulated to the Steering Group and approved by the Evaluation Unit (after any agreed amendments have been made), the work will proceed with the *Structuring Stage* of the evaluation and will lead to the production of an *Intermediary Note* for consideration by the Evaluation Unit and the Steering Group.

During this structuring stage, the evaluation team will hold exploratory meetings with the relevant Commission Services, discussing with individual desk officers in Headquarters the programmes for which they are responsible. The largest part of the work will be dedicated to the analysis of all relevant key documentation on recent and current Commission co-operation in the field of TRA, including data on the pertinent policy and programming documents and

instruments, and also taking account of any key documentation produced by other international donors and agencies.

On the basis of the data collected, the evaluation team will proceed, in the Intermediary Note, to an analysis whose main aims are: (a) deconstructing the intervention logic of TRA policies, programmes and activities in different geographical regions, and (b) drafting a set of Evaluation Questions.

- Deconstructing the *intervention logic* consists in setting out the key objectives of the Commission's strategy for trade-related technical assistance, assessing the intended impacts related to the objectives. The evaluation team should point out their logic, context and overall coherence, including relevant aspects of the programme's external coherence in relation to other EU policies, the needs and policies of beneficiary countries, other donors' activities, and other geopolitical factors,<sup>10</sup>
- Once all objectives have been identified and hierarchised, the team will draft the key *Evaluation Questions* (see above section 5).

### 8.1.3. Desk Study and delivery of Desk Phase Report

Once the Intermediary Note has been debated within the Steering Group and the Evaluation Questions have been validated, the team of consultants will proceed with the final stage of the Desk Phase of the evaluation. This final stage consists mainly in identifying and setting out proposals for the following:

- Identify, for each Evaluation Question, an appropriate *judgement criterion* (or criteria); and select relevant quantitative and qualitative *indicators* for each Judgement Criterion identified;
- Propose suitable methods of *data and information collection* both in Brussels and in proposed field trips - additional literature, interviews both structured and unstructured, questionnaires, seminars or workshops, case studies, etc. - indicating any limitations and describing how the data should be cross-checked to validate the analysis;
- Present appropriate *methods of analysis* of the information and data collected, again indicating any limitations;
- Indicate the basis to be used for making the *judgements*, which should be directly related to the Judgement Criteria (set up during this first phase but adaptable should the field findings so dictate).

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<sup>10</sup> Although the assumptions, conditions and risks attached to each objective do not appear in this logical diagram they shall be assessed in the course of the analysis..

At the conclusion of this work, the evaluation team will present to the Evaluation Unit a *Draft Desk Phase Report* (following the structure set out in Annex 3). This report should set out in full the results of this first phase of the evaluation. It should also detail the consultants' proposed approach and methodology for the upcoming *Field Phase* of the evaluation (e.g. analytical grid for case studies, model for structured interviews, example of questionnaires, etc.), and final confirmation of the full composition of the evaluation team, including local consultants as appropriate. The analysis should include a proposed list of activities, projects and programmes for in-depth study in the field. The field mission should not start before the proposed approach and methodology have been approved by the Evaluation Unit.

After the Steering Group has discussed this Draft Report, the evaluation team will be given up to 10 working days to produce the *Final Desk Phase Report*.

## **8.2. Field Phase**

8.2.1. Following satisfactory completion of the Desk Phase, the evaluation team will proceed to the field missions, at the latest by 15 April 2003. The fieldwork, the duration of which will be cleared with the Steering Group (it should typically last around three weeks), will be undertaken on the basis set out in the Final Desk Phase Report and agreed by the Steering Group and by the Delegations of countries proposed for visits. Field visits should reflect the volume of resources devoted to TRA in different regions, the need for geographical diversity, and the need to illustrate preliminary evaluation findings through analysis of well-chosen case studies. If during the course of the fieldwork any significant deviations from the agreed methodology or schedule are perceived as being necessary, these should be explained to the Steering Group through the Evaluation Unit.

8.2.2. At the conclusion of the field study the team will (i) give a detailed on-the-spot *de-briefing to each chosen delegation* on their provisional findings, and (ii) proceed to prepare the *Field Mission Report* for delivery to the Evaluation Unit no later than ten working days after returning from the field. This report will be presented to, and debated within the Steering Group.

## **8.3. Final Report-Writing Phase**

8.3.1. The Final Report (as well as previous notes and reports) will be drafted in English or French, and be structured as set out in Annex 4. As mentioned in § 4 of this Annex, the Final Report should include, as well as an answer to each Evaluation Question, an ***overall assessment of the Commission's strategy and programming*** in the field of TRA.

8.3.2. The evaluation team will deliver a *Draft Final Report* to the Evaluation Unit no later than 1 July 2003. On acceptance, the report will be



circulated for comments to the Steering Group, which will convene to discuss it about 15 working days after circulation, in the presence of the evaluation team.

- 8.3.3. The evaluation team (or selected members) may, on the basis of the Draft Final Report, participate in a *Seminar* in Brussels during which they will make a presentation to the Commission services and other relevant stakeholders on the evaluation's preliminary findings, conclusions, and recommendations. The organisation of such an event will depend on the expression of the Commission's interest and on the availability of sufficient time and resources.
- 8.3.4. On the basis of comments received from the Steering Group and the Evaluation Unit, the evaluation team will make the appropriate final amendments and submit their *Final Report* to the Evaluation Unit *within 10 working days* of the last meeting. The evaluators may either accept or reject the comments made by the Steering Group members, Delegation members, or relevant stakeholders, but, in case of rejection, they shall motivate (in writing) their refusal and annex the relevant comments and their responses to the report.
- 8.3.5. The quality of the editing of the Final Report (as well as previous reports and notes) must be high. The *findings, analysis, conclusions* and *recommendations* should be thorough. They should reflect a methodical and thoughtful approach, and finally the link or sequence between them should be clear.

## **9. DISSEMINATION AND FOLLOW-UP**

After approval of the final report, the Evaluation Unit will proceed with the Dissemination of the results (conclusions and recommendations) contained within this Report. The Unit will: (i) make a formal *Judgement on the Quality* of the evaluation; (ii) draft a 2-page *Evaluation Summary*; (iii) circulate a *Fiche Contradictoire* for discussion with the relevant Services. The Quality Judgement, the summary, and the *Fiche Contradictoire* will all be published on the Evaluation Unit's Web-site alongside the Final Report.

## **10. EVALUATION TEAM**

- 10.1.** This evaluation is to be carried out by a team with advanced knowledge of, and experience in at least the following fields: trade policy and international commercial negotiations, development co-operation policy, macroeconomics, governance, regional integration. Consultants should also possess an appropriate training and documented experience in the management of evaluations, as well as evaluation methods in field situations. The team should comprise a reasonable mix of consultants familiar with the different regions, but with particular experience in relation to ACP countries, Asia, Latin America and the Mediterranean (MEDA) partner countries.

- 10.2.** The Team composition should be agreed as indicated in § 6.1.1, but may be subsequently adjusted if necessary in the light of the Evaluation Questions once they have been validated by the Steering Group (see §.6.1.2).
- 10.3.** The Evaluation Unit recommends strongly that consultants from beneficiary countries be employed (particularly, but not only, during the Field Phase).

## 11. TIMING AND BUDGET

### 11.1. Calendar

The evaluation will start in October 2002 with completion of the Final Report scheduled for July 2003. The following is the *indicative* schedule\*:

<i>Evaluation's Phases and Stages</i>	<i>Notes and Reports</i>	<i>Dates</i>	<i>Meetings</i>	<i>Dates</i>
<b>Terms of Reference</b>		Mid-October	Steering group meeting to agree TOR	
<b>Desk Phase</b>		Starts in <i>mid-Nov. 2002</i>		
Starting Stage	Inception Note	Due in mid-Dec	Launch Meeting (Evaluation Unit + Consultants)**	
Structuring Stage	Intermediary Note with evaluation questions	Due in end-Jan 2003.	Steering Group Meeting	
Desk Study	Draft Desk Report	Due in <i>mid-March</i> .	Steering Group Meeting	
	Final Desk Report	Due in end-March		
<b>Field Phase</b>		Starts in April		
	Draft Field Phase Report (based upon separate country notes)	Due in <i>mid-May</i> .	Steering Group Meeting	
	Final Field Phase Report	Due in <i>early June</i>		
<b>Final Report-Writing Phase</b>	Draft Final Report	Due in early- <i>July</i>	Steering Group Meeting	
			Seminar in Brussels	
	Final Report	Due in <i>end-July</i>		

\* The dates mentioned in the above table may only be changed in view of optimising the evaluation performance, and with the agreement of all concerned.

\*\* As mentioned in § 6.1.1, no Steering Group meeting is scheduled to take place at this stage. However the Inception Note will be circulated to the Steering Group members for comments.

\*\*\* Subject to agreement by the EC Delegations concerned (see above § 6.3.3).

### 11.2. Cost of the Evaluation and Payment Modalities

11.2.1. The cost of the evaluation should not exceed € 200.000

- 11.2.2. The Payments modalities shall be as follow: 30% at the acceptance of Final Desk Phase Report; 50% at acceptance of Draft Final Report; 20% at acceptance of Final report.
- 11.2.3. The invoices shall be sent to the Commission only after the Evaluation Unit confirms in writing the acceptance of the reports.

## **Annex 1 – Definitions of TRTA**

### **1. WTO/OECD-DAC Definition (brief form)**

**An activity should be classified as trade-related technical assistance/trade capacity building if it is intended to enhance the ability of the recipient country to:**

- (a) Formulate and implement a trade development strategy and create an enabling environment for increasing the volume and value-added of exports, diversifying export products and markets and increasing foreign investment to generate jobs and trade; **or**
- (b) Stimulate trade by domestic firms and encourage investment in trade-oriented industries; **or**
- (c) Participate in and benefit from the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce.

**In addition, the activity should fulfil the following criteria for eligibility:**

- a) Trade-related technical assistance/capacity building is explicitly promoted in activity documentation; **and**
- b) The activity contains specific measures to develop trade policy and regulations, enhance the ability of enterprises to participate in international trade, or increase national capacity to participate in the multilateral trading system.

2. TRTA Definition: document by the Commission services

Level	type of action	Activities	Specific areas of co-operation
<p><b>Macro</b></p> <p><b>Target:</b> government and institutions</p> <p>support to <b>institutional and policy framework</b> for drafting, implementing and enforcing MTS rules.</p>	<ul style="list-style-type: none"> <li>• Training</li> <li>• TA</li> <li>• CB</li> </ul> <p>Areas of trade policy and regulation</p> <p><b>Procurement :</b> services</p>	<p>Assistance to drafting and implementation of trade policy consistent with both WTO obligations and in the context of regional initiatives</p> <p>Assistance in the development of a regulatory and policy framework that will encourage trade and investment. This includes co-operation on areas such as competition policy, environment, standardisation, IPR and procurement.</p> <p>Support to capacity building within government departments.</p> <p>Support to enhance the capacity to participate/negotiate in the multilateral trading system.</p> <p>Assist and provide logistical support to Third country access to the WTO and fulfilling WTO obligations.</p> <p>Trade efficiency involving trade facilitation, (simplification of trade procedures) and access to trade finance.</p>	<p><b>Uruguay round regulation</b></p> <p>(1) Dispute settlement</p> <p>(2) Customs valuation</p> <p>(3) TBT-SPS</p> <p>(4) TRIPS</p> <p>(5) Trade mainstreaming in PRSP</p> <p>(6) Trade negotiation techniques</p>

<p><b>Meso</b></p> <p><b>Target: intermediaries</b> institutions and bodies involved in trade</p>	<ul style="list-style-type: none"> <li>• Training and information</li> <li>• TA</li> </ul> <p>Trade development within economic co-operation</p> <p><b>Procurement:</b> services</p>	<p>Assist in facilitating the information flow on trade-related issues.</p> <p>Support to business promoting institutions involved in trade transactions, export and import (chamber of commerce, commercial representations) and trade facilitation</p> <p>Improved international purchasing and supply management; promotion of trade in services</p>	<p>(7) Non-agri. Market access</p> <p>(8) Agriculture</p> <p>(9) services</p> <p>(10) rules</p> <p>(11) trade &amp; environment</p> <p>(12) trade &amp; investment</p> <p>(13) trade &amp; competition</p>
<p><b>Micro</b></p> <p><b>Target: enterprises</b></p>	<ul style="list-style-type: none"> <li>• TA</li> </ul> <p>Activities linked to private sector Development</p> <p><b>(Procurement: services/works/supplies)</b></p>	<p>Support at the enterprise level including access to business information, use of information technology, development of new products, advice on standards, packaging, quality control, marketing and distribution channels.</p> <p>Other activities having a direct impact on enterprise competitiveness and international openness to markets (e.g. environmental or health standards)</p> <p>Trade promotion through private and public firms</p>	<p>(14) trade facilitation</p> <p>(15) transparency &amp; government procurement</p> <p>(16) Accession</p> <p><b>Trade development</b></p> <ol style="list-style-type: none"> <li>1. Private sector development</li> <li>2. Trade promotion</li> <li>3. Infrastructure</li> <li>4. Exports promotion</li> </ol>

## EXPLANATORY NOTE

1) The main areas of concentration of the EC support to Private sector:

- Macro economic reforms
- Investment and partnership promotion
- Direct financing and financial market
- Business development services
- Micro-finance/project

2) Tentative definition of TRTA based on the identification of 3 different levels from **core activities** to **related activities**

1) Core TRTA (directly related to MTS . see specific areas of cooperation in the table)

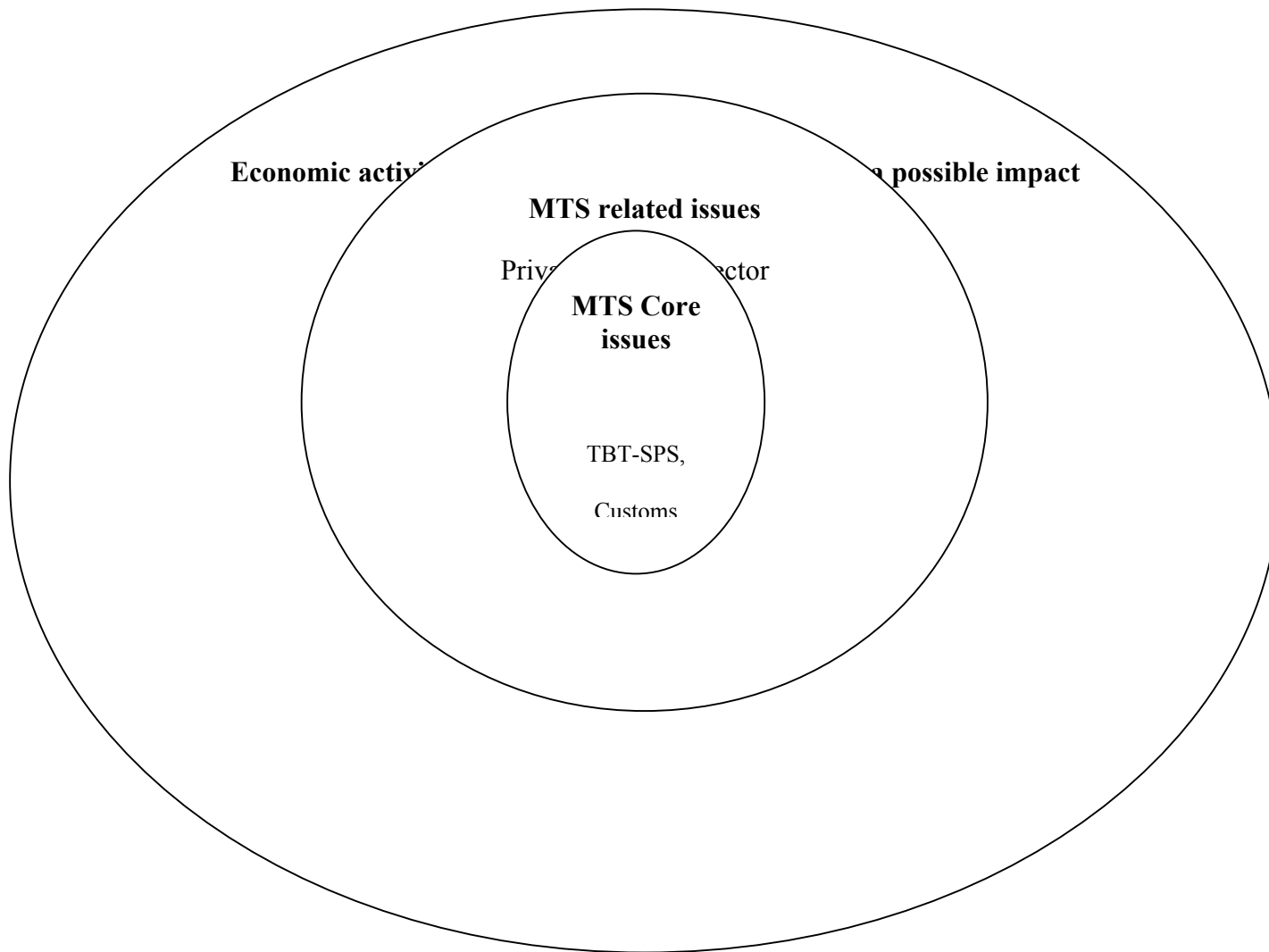
- macro: CB et réformes institutionnelles
- meso: activities aimed at trade intermediaries
- micro: activities aimed at enterprises

2) Private sector Development (less related to trade as Core TRTA)

- macro: macro-economic reforms et budgetary support
- meso: investment promotion, financial services and financial market, Business Development Services (BDS)
- micro: BDS et micro-projects

3) Economic activities with a possible impact on the MTS (infrastructure, ITC, tourism, social sectors, institutional support)

- macro: infrastructure...
- meso: social services intermediaries, institutional intermediaries ...
- micro: tourism...





## **Annex 2: Key documentation for the evaluation (initial reading list)**

### **(i) General**

- \* COM (2000) 212: – Communication from the Commission to the Council and the European Parliament: *The European Community's Development Policy*
- \* DG TRADE website on bilateral and regional trade, including ACP
- \* Websites of other major bodies with a specific TRA aspect – OECD, DFID, WTO, UNCTAD, ITC, World Bank
- \* Cotonou and Lomé Agreements and Framework regulations for ALA, TACIS, MEDA and CARDS (previously PHARE)
- \* Economic Partnership Agreements (Cotonou Convention)
- \* Ministerial declaration of Doha
- \* Joint Integrated Technical Assistance Programme (JITAP)
- \* Country Strategy and Regional Strategy papers and Indicative programmes (see website of DG DEV, Inter-service Quality Support Group)
- \* COM (2002) 513 final – Communication from the Commission to the Council and the European Parliament: *Trade and Development: assisting developing countries to benefit from trade*
- \* World Bank: *Development, Trade and the WTO – A Handbook*
- \* WTO Doha Development Agenda Trade-Related Technical Assistance and Capacity Building Database (DDADB)
- \* *Leveraging Trade for Development*, World Bank Group Agenda, Dec 2001
- \* DG TRADE website (trade and development) <http://europa.eu.int/comm/trade/miti/devel>
- \* Documents of the AIDCO Thematic Group on Trade and Development: <http://forum.europa.eu.int/Public/irc/europeaid/Home>
- \* *Train for Trade* – UNCTAD, 2000
- \* OECD-DAC: *DAC Guidelines on Strengthening Trade Capacity for Development, 2001*
- \* OECD-DAC: *Trading Competitively: A study of trade capacity-building in Sub-Saharan Africa*
- \* *L'Assistance Technique au Commerce de la CE dans les Pays Tiers*”, internal Commission document, 2001
- \* Documents of the Inter-service Task Force “Trade and Development” (to be supplied)

\* *Traitement des questions commerciales dans les délégations* – DG TRADE Action Plan 2001

\* *UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development* – papers presented at Brussels seminar on 14 October 2002

**(ii) Region-specific**

\* Evaluation of Caribbean Regional Trade programmes – 7<sup>th</sup> and 8<sup>th</sup> EDF

\* Audit report on ACP-EU Trade Development Project 7-ACP-RPR-335, 2001

\* Evaluation report on the Transitional Phase of 7-ACP-RPR-335, January 2001

\* Financing Agreements, Preparatory Documents and Evaluations – details to be provided by AIDCO

(others – to be supplied)

### **Annex 3: Outline Structure for the Reports**

#### **Outline Structure of the First Phase Report**

Part 1: Reconstruction of the hierarchy, logic, related assumptions and intended impacts of the *objectives of the EC's interventions* in TRA, for the different periods as mentioned in para 3.1

Part 2: Presentation of the *key evaluation questions, judgement criteria* and associated *indicators*.

Part 3: *Analysis of the information and data* available at the end of the first phase and indications of any missing data, so as to inform the work plan and choice of countries for the field phase.

Part 4: Proposed *field phase methodology* (methods of enquiry, data collection and sampling, etc. vis-à-vis the information sought) with concrete proposal and examples.

Part 5: Proposed *analysis methodology* based on sound and recognised methods used for evaluation.

## Annex 4

### Outline Structure of the Final Report

*Length:* The Final Report should not be longer than 50 pages (including the executive summary). Additional information on overall context, programme or aspects of methodology and analysis should be confined to annexes.

#### 1. Executive Summary

*Length: 5 pages maximum*

This executive summary must produce the following information:

- 1.1 – Purpose of the evaluation;
- 1.2 – Background to the evaluation;
- 1.3 – Methodology;
- 1.4 – Analysis and main findings for each Evaluative Question; short overall assessment;
- 1.5 – Main conclusions;\*
- 1.6 – Main recommendations.\*

*\* Conclusions and recommendations must be ranked and prioritised according to their relevance to the evaluation and their importance, and they should also be cross-referenced back to the key findings. Length-wise, the parts dedicated to the conclusions and recommendations should represent about 40 % of the executive summary*

#### 2. Introduction

*Length: 5 pages*

- 2.1. Synthesis of the Commission's Strategies and Programmes: their objectives, how they are prioritised and ordered, their logic both *internally* (ie. The existence – or not – of a logical link between the EC policies and instruments and expected impacts) and *externally* (ie. within the context of the needs of partner countries, government policies, and the programmes of other donors); the implicit assumptions and risk factors; the intended impacts of the Commission's interventions.\*
- 2.2. Context: very brief analysis of the political, economic, social and cultural dimensions affecting trade development in third countries.
- 2.3. Purpose of the Evaluation: presentation of the evaluative questions and of how they will permit to assess the country strategy and programme.

### **3. Methodology**

*Length: 10 pages*

In order to answer the evaluative questions a number of methodological instruments must be presented by the consultants:

- 3.1. Judgement Criteria: which should have been selected (for each Evaluation Question) and agreed upon by the steering group;
- 3.2. Indicators: attached to each judgement criterion. This in turn will determine the scope and methods of data collection;
- 3.3. Data and Information Collection: can consist of literature review, interviews, questionnaires, case studies, etc. The consultants will indicate any limitations and will describe how the data should be cross-checked to validate the analysis.
- 3.4. Methods of Analysis: of the data and information obtained for each Evaluation Question (again indicating any eventual limitations);
- 3.5. Methods of Judgement

### **4. Main Findings and Analysis**

*Length: 20 to 30 pages*

- 4.1. Answers to each Evaluation Question, indicating findings and conclusions for each;
- 4.2. Overall assessment of the EC Strategy. This assessment should cover:
  - Relevance to needs and overall context, including development priorities and co-ordination with other donors;
  - Actual Impacts: established, as well as unforeseen impacts or deadweight/substitution effects, and compare to intended impacts;
  - Effectiveness in terms of how far the intended results were achieved;
  - Efficiency: in terms of how far funding, personnel, regulatory, administrative, time and other resource considerations contributed or hindered the achievement of results;
  - Sustainability: whether the results can be maintained over time without EC funding or other external support.

## **5. A Full Set of Conclusions and Recommendations**

*Length: 10 pages*

A Full set of Conclusions\* and Recommendations\* (i) for each evaluation question; (ii) as an overall judgement of the country programme and strategy vis a vis the country needs. (As an introduction to this chapter a short mention of the main objectives of the country programmes and whether they have been achieved )

*\*All conclusions should be cross-referenced back by paragraph to the appropriate findings. Recommendations must be ranked and prioritised according to their relevance and importance to the purpose of the evaluation (also they shall be cross-referenced back by paragraph to the appropriate conclusions).*