



The North-South Institute • L'Institut Nord-Sud

**EVALUATION OF DFID SUPPORT TO TRADE RELATED
CAPACITY BUILDING**

Synthesis Report

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Acronyms

APD	Africa Policy Department
ASYCUDA	Automated System for Customs Data
ATPP	Africa Trade and Poverty Programme
ATPSM	Agricultural Trade Policy Simulation Model
BIDPA	Botswana Institute for Development Policy Analysis
BIDS	Bangladesh Institute of Development Studies
BLCF	Business Linkages Challenge Fund
CAP	Country Assistance Plan
CARICOM	Caribbean Community
CB	Capacity Building
CIDA	Canadian International Development Agency
Commark	Commercial Markets
CRNM	Caribbean Regional Negotiating Machinery
CSME	Caribbean Single Market Economy
DAC	Development Assistance Committee
DBS	Direct Budgetary Support
DEFRA	Department for Environment, Food and Rural Affairs
DFID	UK Department for International Development
DPRU	Development Policy Research Unit
DTI	UK Department of Trade and Industry
DTL	Development Trading Limited
EAC	East African Community
EDF	European Development Fund
EPA	Economic Partnership Agreement
ESDLO	Economic and Social Development of Lviv Oblast
EU	European Union
FAO	Food and Agricultural Organization
FCO	Foreign and Commonwealth Office
GDP	Gross Domestic Product
ICTSD	International Centre for Trade and Sustainable Development
IDA	International Development Agency
IDRC	International Development Research Centre
IDS	Institute of Development Studies
IF	Integrated Framework
IFPRI	International Food Policy Research Institute
IPRs	Intellectual Property Rights
ITC	International Trade Centre
ITD	International Trade Division
IMF	International Monetary Fund
JITAP	Joint Integrated Technical Assistance Programme
KEPLOTRADE	Kenya EU Post Lomé Trade

KEPSA	Kenya Private Sector Alliance
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KTPP	Kenya Trade and Poverty Programme
LATN	Latin American Trade Network
LDC	Least Developed Country
LRA	Lesotho Revenue Authority
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MTPP	Malawi Trade and Poverty Programme
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
OPR	Output-to-Purpose Review
OVI	Objectively Verifiable Indicator
PCR	Project Completion Report
PRS	Poverty Reduction Strategy
PSC	Project Steering Committee
QPR	Quarterly Progress Report
SADC	Southern African Development Community
SAP	Structural Adjustment Programme
SEDF	SouthAsia Enterprise Development Facility
SME	Small and Medium Enterprise
SPS	Sanitary and Phytosanitary Standards
TA	Technical Assistance
TACIS	Technical Assistance Programme for Eastern Europe and Central Asia
TBT	Technical Barriers to Trade
TD	Trade Development
TEEM	Training for Enterprise and Exports in Malawi
TIAF	Trade and Investment Access Facility
TIPS	Trade and Industrial Policy Secretariat
TORs	Terms of Reference
TPCB	Trade Policy Capacity Building
TPDP	Trade Policy Development Programme
TPP	Trade and Poverty Programme
TPR	Trade Policy and Regulations
TRCB	Trade-Related Capacity Building
TRIPs	Trade-Related Intellectual Property Rights
TRTA	Trade-Related Technical Assistance
TPR	Trade Policy Review
USAID	US Agency for International Development
UNCTAD	UN Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United National Industrial Development Organization
WTO	World Trade Organization

Executive Summary

Introduction (paras. 1-41)

- i. Since 1998, the UK, through the Department for International Development (DFID), has been actively providing support for building developing countries' capacity to engage in world trade. This report summarises the findings of an evaluation commissioned by DFID's International Trade Department (ITD) undertaken by The North-South Institute (NSI) in Canada during 2004. The aim of the evaluation was to collate UK commitments to trade-related capacity building (TRCB), to assess the effectiveness and efficiency of this support and to identify good practices, with a view to increasing the impact of future DFID assistance in this area.
- ii. The evaluation involved the preparation of a number of background working papers reviewing DFID's TRCB, comparing it with that of other donors, and reviewing methodologies for TRCB evaluation. A team of international and national consultants prepared five case study reports on DFID TRCB in Bangladesh, Kenya, Malawi, Ukraine and the Caribbean. These reports are now available on NSI's web-site.
- iii. The evaluation used the WTO/OECD definition of TRCB which includes support to: a. formulate and implement a trade development strategy; b. increase and diversify exports and markets; and c. participate in institutions and processes that shape national and international trade rules and practices. This definition has informed the scope of the joint WTO/OECD database on TRCB, which includes data on spending from 2001. TRCB is defined to include two areas: Trade Policy and Regulations (TPR) with 20 categories, and Trade Development (TD) with another six.
- iv. While this evaluation has focussed on bilateral TRCB projects and programmes, which have accounted for the bulk of TRCB spending in the past, it is important to consider the new opportunities created for TRCB by new aid modalities such as Direct Budgetary Support (DBS). DBS is projected to account for as much as two-thirds of DFID assistance to eight of its largest partners in Africa by 2005/06. In principle DBS creates new opportunities for policy dialogue and donor coordination about trade issues, within the context of national poverty reduction strategies and government spending plans. Some DBS may be earmarked for TRCB, responding to government priorities, as identified in the IF or other mechanisms. DFID could play a lead role in such discussions about mainstreaming trade and TRCB, particularly where it is the lead DBS donor. Evenso, as recognised in DFID country assistance programmes, there is likely to be a continued role for bilateral TRCB delivered as projects or programmes, to respond to ongoing needs in trade and other ministries and outside government.

DFID's TRCB portfolio (paras. 42-57)

- v. A review of the DFID inventory of TRCB projects and programmes found that that it was consistent with the broad policy objectives set out in the 2000 White Paper on International Development, namely to support an open and rules-based international trading system, an effective voice for developing countries, and improvements in their capacity to take advantage of new trade opportunities.

- vi. Since 1998, the UK has spent £161 million on TRCB, with the largest share in Africa. Compared to other donors, from 2001-03, the UK ranked fifth in absolute spending on bilateral projects, though differences in reporting TD projects make such comparisons approximate. In TPR, the UK has focused on mainstreaming trade into development strategies, trade facilitation, negotiation techniques, accession and trade-related intellectual property rights (TRIPs).
- vii. WTO/OECD members have found it difficult to distinguish between technical assistance (TA) and CB, so both are included in the database. Another problem is the broad scope of TD, which is defined to include categories which address private sector development rather than being focused on trade. The evaluation found a number of projects with TRCB components that were not included in the DFID database (and therefore not reported to the WTO/OECD), such as the Ukraine Rural Livelihoods Programme, while others, such as Making Financial Markets Work for the Poor, were included despite little direct relevance to trade. Clearer guidelines and procedures for TRCB classification are needed.

Linkages to poverty reduction and gender equality (paras. 58-74)

- viii. Through its TRCB, DFID has sought to increase the contribution of trade to poverty reduction and gender equality. In general there are two approaches to trade-poverty linkages. Some donor agencies and partner governments prefer to adopt an ‘enabling’ or indirect approach, where the emphasis is on promoting trade, and in this way economic growth and in turn poverty reduction. While this was the philosophy underlying the UK White Paper on globalisation and development, released in 2000, recent DFID TRCB guidelines have stressed the need for a more direct or ‘focussed’ approach, i.e. in which TRCB includes an explicit reference to poor people, as well as to gender equality.
- ix. In practice, the evaluation found that there were few instances of explicit linkages to poverty reduction or to gender equality in the design of projects or programmes, and sometimes even these were not followed through in implementation. Typically more connections to gender equality were made in TD activities than in the case of TPR.
- x. There are several ways in which the linkages can be strengthened in future TRCB. One is through studies on trade and poverty, and trade and gender, which include consideration of compensation or complementary policies. Second is to design projects which include poverty or gender components. Third, is through the inclusion of stakeholders representing the interests of poorer communities in trade policy making processes.

Building capacity to trade (paras. 75-110)

- xi. A major challenge for DFID as for other agencies has been to move from TA to CB. It has supported a large number of studies on trade-related issues both in the UK and in partner countries. These have covered a range of issues from trade-poverty linkages, negotiating interests, impact assessments of trade policy options and institutional needs to the enabling environment and supply-side constraints. The usefulness of these studies for developing countries has varied, according to the process used for selecting their terms of reference, their rigour, timeliness and dissemination. Some, such as the report prepared by the Commission on Intellectual Property Rights, have been quite influential.

- xii. Universities have been peripherally involved in several TRCB projects but a more deliberate strategy is needed if they are to play a sustained role in the trade knowledge networks essential for TRCB. Another issue which may require further analysis is the relative benefits of using think-tanks rather than private sector consulting firms as project implementers and managers. Workshops and courses – fairly traditional forms of TA -- have been used to increase the knowledge of officials and others about trade issues. More particular to TRCB has been the experiential learning which DFID has funded – i.e. participation in the trade negotiating process itself, study tours and internships – these are essential if LDCs are to become active members of the multilateral trading system.
- xiii. Institutions involved in trade policy and practice have also been targeted in DFID’s TRCB, whether through funds for recurrent costs (including staff), specific activities or even start-up costs. In most cases these initiatives can only be sustained with further donor support, as governments or private sector users in many lower-income countries rarely appear able or willing to finance them with their own resources. It is recommended that a study be undertaken examining the emerging role of trade ministries, in particular how to support their role in mainstreaming trade.
- xiv. While different agencies appear to have developed a comparative advantage in certain aspects of TRCB, it is important to recognise that this is constantly evolving. DFID has given priority in recent years to business support services, trade finance, mainstreaming trade and trade facilitation. At the same time it has striven to bring a poverty focus to both its bilateral programming and the multilateral programmes which it supports directly. Multilateral agencies such as UNCTAD and the World Bank have specialised in trade analysis and training in negotiating techniques, while others such as UNIDO and ITC have focussed on trade facilitation and trade development. Besides a lower risk of bias, which can be important with trade negotiations ongoing, multilateral agencies may offer inter-country networking which can strengthen regional capacity to trade. The complementarity of such multilateral and bilateral TRCB could be enhanced through mechanisms such as the IF or other recipient-led coordination mechanisms.
- xv. Nonetheless there continues to be a role for TRCB delivered bilaterally, drawing on DFID’s areas of comparative advantage and those of its partner organisations based in the UK (in the public and private sector as well as NGOs). It would be wrong to respond to the DFID-wide personnel cuts by eliminating bilateral programming. Ideally in newer areas such as TRCB where spending is increasing rapidly, there would be fewer such cuts. If they are unavoidable, they could be accommodated by narrowing the scope of the bilateral portfolio while increasing the average size of bilateral programmes (and subcontracting more project oversight to external agencies). Also there could be increases in the share of TRCB allocated via DBS, co-funded with other donors, and/or delivered via regional or multilateral agencies. DFID’s bilateral TRCB can inform its trade policy work and develop the competencies needed to engage with multilateral and other agencies as well as with recipient governments on trade-related issues.

Management issues (paras. 111 to 137)

- xvi. TRCB needs assessments have focussed on trade policymaking and negotiation capacities, with less attention to trade development despite its importance. DFID project

designs are fairly flexible, though they could be improved by a more participatory process, involving stakeholders outside trade ministries and DFID country offices. Also the regional approach of larger projects such as the ATPP should not constrain the sensitivity to national contexts, as has been the case in some countries.

- xvii. Some trade projects are centrally managed out of ITD, geographic and policy divisions in London, while country/regional offices are responsible for others. Decentralisation has helped to address the staff turnover that is particularly a problem in the centre, while training programmes have begun to strengthen DFID managers' knowledge of trade issues. Otherwise the use of consultant advisers has helped to combine continuity with knowledge in project management.
- xviii. Implementation agencies have included both profit- and non-profit making organisations such as management consulting firms, international agencies, universities and think-tanks. Those based in the UK have less developed networks of the national or regional expertise needed to act as subcontractors and to contribute to building national or regional capacity, though the use of local representatives can help. There was insufficient information available for this evaluation to assess the relative cost-effectiveness of different types of implementation agency.
- xix. Monitoring and evaluation could be improved by more frequent evaluations, more effective use of PCRs, precluding designers of a project from its M&E, consultation with stakeholders, joint evaluation with other donors, and use of more realistic indicators.

Impacts of DFID TRCB (paras. 138 to 171)

- xx. Involvement of national stakeholders and DFID country offices, coordination with other donors, and flexibility in project design are critical for project relevance, particularly in TRCB where both demand and supply are evolving rapidly. Building TRCB components into broader projects can be an effective way of mainstreaming trade in partner countries and DFID country offices. The introduction of the DFID-wide trade strategy may help to introduce some coherence between TPR and TD projects within a country and to integrate them into DFID country assistance plans.
- xxi. There are several ways in which performance could be improved, for instance, in terms of governance structures, transparency and participatory decision-making about the use of project funds, timeliness, quality of studies and the choice of subcontractors.
- xxii. But many DFID projects have performed well, recording positive impacts. Its TPR projects have contributed to developing countries' capacity in four key respects: building knowledge within government and outside about WTO and other trade issues, supporting a more integrated approach to trade policy making within government, building a more inclusive trade policy dialogue with those outside government and strengthening the connections made between trade and poverty reduction in the discussion of trade policy and practice. Its TD projects have helped to improve the enabling environment for trade, through simplifying regulations, business support services and institutions, and finance.
- xxiii. National funding in poorer countries is generally not available to maintain the trade-related capacities developed through DFID-funded projects. This requires constant reinvestment in response to staff turnover and the evolving nature of trade negotiations to new and more technical issues, as well as to mainstream trade-related knowledge outside

centralised agencies and to develop private sector capacities to trade. External funding from DFID and others continues to be needed.

xxiv. DFID has been a leader in supporting efforts to link trade to poverty reduction in research, policy analysis, dialogue, and policy-making in developing countries, in the UK and more broadly. It has followed both a direct or focused approach, promoting changes in trade policy or practice that will benefit poor people, and an indirect or enabling approach. Less attention has been given to integrating gender equality into DFID TRCB projects, though some have sought to address gender issues. Despite attention to poverty or gender issues in project design, implementation problems in some projects have limited the progress in meeting these objectives. Regional linkages have also been promoted in various ways.

Recommendations (paras. 172 to 197)

xxv. The report makes recommendations in nine areas. These are:

1. *Focus on core TRCB issues* – The present WTO/OECD definition is too broad for analytical and policy purposes and should be divided into a core area focussing on trade policy analysis and negotiating skills, and an outer rim with two categories – operational aspects such as standards and customs, and a range of tasks related to trade development (support to private sector institutions). ITD should focus on the core and the first category of the outer rim, leaving the other aspects to be addressed by the Policy Division, but within an overall TRCB strategy that is jointly agreed
2. *Build stronger linkages between TRCB and poverty reduction* – We recommend that DFID increase its support of country level and sectoral/subnational assessments of trade and poverty linkages, including building the capacity within and outside governments to do this analysis. ITD should work with other parts of DFID undertaking outer rim TRCB projects or programmes and trade-related work more generally, to ensure that they address poverty-related trade issues. ITD's trade policy work should also have poverty reduction at its core – whether it is addressed directly or indirectly.
3. *Build stronger linkages between TRCB and gender equality* – DFID should include a gender research component in trade policy projects, while a gender component should also be included in its trade development projects. DFID should explore collaboration with donors such as CIDA who have also begun to consider how best to integrate gender equality into their TRCB.
4. *Improve the integration of regional trading issues in TRCB* – DFID should complement its national TRCB programming with support to regional institutions, regional trade knowledge networks, and mechanisms to facilitate cross-border trade. Smaller, poorer countries need assistance with analytical capacities to assess the benefits and costs of alternative regional integration mechanisms.
5. *Improve the linkages between trade policy projects and trade development projects* – ITD needs to consider ways of ensuring greater coordination between DFID's TPR and TD projects or programmes. These rarely form a coherent cluster at a country or regional level, nor are they often well-integrated into

country assistance programmes. The DFID-wide trade strategy should identify ways to improve the linkages and thus promote synergies and complementarities. In essence this will require more effective coordination between ITD, which leads on TPR work, and country offices which lead on TD.

6. *Move beyond technical assistance toward long-term capacity building* – Continuous efforts are needed to move beyond responding to short-term needs through the provision of TA to building capacity through the creation of trade knowledge networks. This may require longer term or multi-phase programming, and more systematic use of organisations such as universities, research institutions, NGOs or chambers of commerce as implementing agencies for TRCB projects or project sub-components. There should be an umbrella financing mechanism for strategic studies and other interventions by such groups.
7. *Maintain a diversity of approaches* – We recommend that DFID continue to fund TRCB programming delivered both bilaterally and multilaterally. In some cases there may be benefits from strengthening linkages between such projects. Personnel cuts, if essential despite the growing volume of TRCB spending, should not be used as a reason for eliminating bilateral programming as this constitutes an important base for the work of DFID (and the UK) in linking trade to poverty reduction. Rather personnel constraints could be accommodated by narrowing the scope and expanding the average size of bilateral programmes as well as increasing the share of TRCB spending via DBS, co-funding arrangements, regional and multilateral agencies.
8. *Strengthen TRCB management and coordination* – There are several ways in which TRCB management might be improved. DFID personnel, especially in country offices, need more training in substantive trade issues and related TRCB programming characteristics and more guidance from ITD. Also useful would be a management team linking the different divisions involved in TRCB, and reductions in professional turnover rates especially in ITD, in addition to the new DFID-wide trade strategy. In order to streamline TRCB and increase value-for-money, we recommend that future DFID projects allocate modest resources to facilitate informal coordination with other TRCB activities at a country/regional level.
9. *Consider Direct Budgetary Support as a new opportunity for TRCB* – DBS creates an opportunity for governments to coordinate donor support of TRCB. It also allows for policy dialogue with donors – about mainstreaming trade into PRS, identifying appropriate trade policies and resolving supply-side capacity constraints. In some cases, funds may be earmarked for TRCB. The relative merits of this approach, as compared with more traditional TRCB projects or programming, should be the subject of a workshop organised by DFID in collaboration with other donors, multilateral agencies and partner governments. On the basis of its findings, we recommend that DFID consider ways to engage with recipient governments on trade-related issues in the context of DBS and that it include directions on how to address TRCB in the context of DBS-related policy dialogue in its new trade strategy.

Section 1. Foreword

1. In November 2003, The North-South Institute was contracted by the International Trade Department (ITD) of the UK's Department for International Development (DFID) to undertake an evaluation of DFID's support of trade-related capacity building (TRCB) since 1998.
2. The terms of reference for the evaluation included:
 - To collate UK commitments to TRCB
 - To assess the effectiveness and efficiency of DFID support to TRCB based on five case studies of programmes in a range of countries or regions, and
 - To identify lessons on good practice in DFID TRCB programmes.
 - The output of the evaluation is intended to be of value in increasing the effectiveness and the sustainable economic and social impact of DFID assistance in this area in the future.
3. Additional specific issues to be considered in the TRCB evaluation included:
 - TRCB and trade-poverty linkages
 - Objectives of TRCB
 - Process and delivery of TRCB
 - TRCB and knowledge base
 - Scope of TRCB
4. As part of the evaluation, the NSI team prepared three background working papers: a statistical and descriptive review of DFID's TRCB, a comparative analysis of DFID and other donors' TRCB, and a review of methodologies for TRCB evaluation, as well as a note on stakeholder analysis. These papers drew on desk-based research, as well as interviews with officials and researchers in the UK, Belgium, Canada, France, the Netherlands, Switzerland, and the US. The findings were presented at a meeting in London in April 2004, after which an Inception Report was prepared. The evaluation also benefited from a presentation of the proposed methodology at a meeting organised by the OECD in June 2004, at which were also presented the findings or proposed approaches to TRCB evaluation in a number of other countries and institutions.
5. This evaluation of DFID's TRCB drew on five case-studies – four countries and one region – namely Bangladesh, Kenya, Malawi, Ukraine and the Caribbean. In each country, over a two-week period between June and August 2004, a national consultant and an international consultant undertook a series of interviews with key stakeholders, drawing on a semi-structured questionnaire, as well as a review of project documentation and other relevant material. At the end of the two-week interview period, a national consultation seminar was held to present preliminary findings to national stakeholders. This was followed by the preparation of a report for each country/region. In addition the findings of a series of interviews with UNCTAD staff and a review of project documents relating to DFID-funding

of UNCTAD projects are summarised in Annexe A. In the course of the evaluation, the team was also able to meet with DFID officials and those involved in a number of DFID-funded TRCB projects in other countries, notably Ghana, Sri Lanka and South Africa, as well as various researchers and consultants based in the UK. Their names are included in Annexe B.

6. The evaluation team included:
 1. Bangladesh – Wenguo Cai (NSI Research Associate, Ottawa) and Fahmida Khatun (Research Fellow, Centre for Policy Dialogue, Dhaka)
 2. Kenya – Chantal Blouin (NSI) and Isaac Njoroge (consultant, Nairobi)
 3. Malawi – Maxton Tsoka (Centre for Social Research, Zomba) and Ann Weston (NSI)
 4. Ukraine – Leelananda De Silva (consultant, Windsor) and Svitlana Hryshenko (consultant, Kyiv)
 5. The Caribbean – Montague Lord (consultant, Washington DC) and Clive Pegus (consultant, Trinidad).
7. The evaluation team would like to thank the many people in the case-study countries, both within government and outside, for their time and thoughts about their national TRCB needs and DFID's role in meeting them. There are also several others who kindly shared their views and ideas about DFID's TRCB and TRCB issues more generally – in the UK, the EU, Canada, France, Ghana, South Africa, Sri Lanka, Switzerland, the Netherlands and the US.
8. This report should be read in conjunction with the five case-study reports and the three background working papers and note on stakeholder analysis. Section 2 sets out some key issues for the evaluation – including the definition of TRCB, its links to poverty reduction and how it is most effectively delivered. Section 3 includes a brief review of DFID's TRCB portfolio. Section 4 examines the linkages between DFID's TRCB and its poverty and gender equality objectives. Section 5 reviews the different approaches to building capacity such as research and training. Section 6 considers issues of TRCB programme management. Section 7 summarises the main impacts of TRCB in terms of relevance, performance, success/impacts, sustainability and linkages to poverty reduction and gender equality. Section 8 presents some recommendations. The Annexe includes a review of DFID-funded TRCB projects implemented by UNCTAD.

Section 2. Introduction

9. In this section we address a number of broad issues that have arisen in the course of the evaluation, and in the presentation of our consultation document, and which set the context for the following sections, particularly those in which we focus more specifically on the findings of the country case-studies. There are three broad issues:
- i. What is TRCB? Is it such a clear concept that we can easily determine whether particular programmes or projects should be considered TRCB while others are not? Do TRCB projects form a cluster?
 - ii. How is TRCB linked to poverty reduction?
 - iii. How is TRCB most effectively delivered?
10. *What is TRCB?* Trade-related capacity building (TRCB) is a relatively new term, which gained currency particularly after the Doha Declaration of November 2001, in which it was confirmed that ‘technical cooperation and capacity building are core elements of the development dimension of the multilateral trading system’ (para. 38) and members made ‘firm commitments on technical cooperation and capacity building’ (para. 41) with particular emphasis being placed on trade-related technical assistance (TRTA) and capacity building for the least-developed countries (paras. 42-3).
11. Earlier in 2001, the OECD had published a set of *Guidelines on Strengthening Trade Capacity for Development* (2001), which suggested TRCB aims to enhance ‘the ability of policymakers, enterprises and civil society in developing countries to:
- Collaborate in formulating and implementing a trade development strategy embedded in a broader national development strategy. This means establishing a trade policy process with broad stakeholder participation that can set agendas and identify clear objectives.
 - Increase the volume and value-added of exports, diversify export products and markets and increase foreign investment to generate jobs and exports. This involves strengthening trade policy institutions as well as raising the potential of enterprises to seize trading opportunities as they emerge.
 - Participate in – and benefit from – the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce.’
12. Previously, of course, there had been trade-related assistance of various sorts undertaken by both bilateral and multilateral agencies. These included studies and courses for developing country officials on trade policies and regulations by multilateral agencies such as the WTO, UNCTAD and the World Bank. Other agencies such as the International Trade Centre and UNIDO undertook studies and courses on trade development, such as export finance and technical standards in foreign markets, for trade promotion agencies and the private sector in developing countries. Some of these efforts were coordinated under programmes such as the Joint Integrated Technical Assistance Programme (JITAP) which was set up in 1998 by the ITC, UNCTAD and the WTO,

while the Integrated Framework, set up in 1997, brings together these three agencies with the UNDP, IMF and World Bank to coordinate bilateral and multilateral TRTA in LDCs and to help LDCs mainstream trade into their national development plans.

13. In order to track the increasing amounts of trade-related assistance and to share lessons learned from the growing experience in this area, in 2001 the WTO and OECD established a joint database which captures both trade policy and regulations (TPR) projects as well as those targeting trade development (TD). As many as 20 categories of TPR have been identified and another six categories for TD.¹ DFID has joined other bilateral donors and multilateral agencies in preparing annual reports for the WTO/OECD database since 2001. In 2003 it reported spending some US\$92 million on TRTA/CB, of which \$41 million in TPR, \$50 million in TD and another \$1 million in contributions via multilateral providers (WTO, IF, ITC and JITAP). In addition it contributes to TRTA/CB via its funding of the EC as well as a number of multilateral agencies such as UNCTAD and the FAO.
14. Despite these efforts to categorise, record and rationalise TRCB, it remains a somewhat amorphous cluster of activities. While there may be a common goal, namely to enhance the integration of developing countries into the multilateral trading system in a way that maximises poverty reduction, typically the various projects or programmes of activities involved are managed in both donor agencies and recipient governments by a range of different departments. In the case of DFID, this is evident both in headquarters and in country offices. In London, the International Trade Department (ITD) in the International Division has lead responsibility for trade within DFID. However the TRCB activities undertaken by ITD itself are focused on two main areas – first, providing inputs to trade policy discussions in Whitehall, Brussels and Geneva, which may be informed by ITD research or by studies commissioned by ITD from researchers in the UK or elsewhere; and second, managing contributions to TRCB (predominantly TPR) programmes in several multilateral agencies (such as UNCTAD, ITC, the World Bank and the Commonwealth Secretariat). Other DFID TPR projects are managed out of the geographic divisions (e.g. the Africa Trade and Poverty Programme in the Africa Division) and the Policy Division (e.g. a number of projects on agricultural issues). Similarly TD programmes are managed out of Policy Division (e.g. the Business Linkage Challenge Fund) as well as the geographic divisions (e.g. Commark and a series of smaller, enabling business environment projects in Africa Division).

¹ TPR includes: trade mainstreaming in PRSs/development plans; technical barriers to trade, sanitary and phytosanitary measures, trade facilitation procedures, customs valuation, tariff reforms, regional trade agreements, accession, dispute settlement, trade-related intellectual property rights, agriculture, services, tariff negotiations/non-agricultural market access, rules, training in trade negotiation techniques, trade and environment, trade and competition, trade and investment, transparency and government procurement, trade education/training. TD includes: business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion strategy and implementation, and market analysis and development.

15. Similarly in partner countries both within DFID offices and in the governments, DFID-funded TRCB activities are usually quite dispersed and rarely do they form a coherent programme. For instance, TPR projects are spread throughout many ministries. This reflects the fact that policies and regulations involving trade are no longer just the prerogative of trade ministries, but also concern others such as finance (customs valuation, investment measures, services), agriculture and industry (standards, intellectual property laws), as well as health (access to medicines), employment (adjustment issues) and transport. Building capacity to understand, negotiate and implement international trade rules has extended to involve these various ministries. Donors have supported efforts also to mainstream consideration of national trade interests and priorities into broader poverty reduction strategies, involving stakeholders from outside government as well as the interministerial process.
16. Even in an area like customs, in which improved procedures may stimulate trade – and indeed form part of the current trade facilitation agenda,² projects may not always be classified as TRCB particularly if their primary purpose was improved tax management (see Box 1). It is in the area of TD, however, that the limits of TRCB are the hardest to determine. Projects designed to promote private sector development may be considered TRCB if they contribute to trade in one way or another. For instance, a PSD project in a border area will likely involve trade – by enhancing capacity to produce goods and services for export, or to compete with imports. Efforts to reduce the regulatory requirements for establishing a business, or to increase access to credit for smaller businesses are often a prerequisite to expanding trade.³ The WTO/OECD have underlined the ambiguities in defining how much of a project or programme actually involves TRCB as opposed to capacity building more generally, with donors using different definitions, and in turn there have been problems with valuation, with some donors including the full value of a programme while others only report the trade-related component.
17. These issues help to explain some of the difficulties in evaluating DFID’s TRCB programming in partner countries. In the case-study countries, it became clear that while there were a number of projects or programmes that had been reported to the WTO/OECD database, they were not initially conceived by DFID in the country offices or in London as part of a coherent TRCB programme, and in some cases they were not even considered TRCB. Some TRCB activities were actually part of projects in other areas e.g. agriculture, industry, tourism or the private sector. The projects studied at the country level formed a cluster only for the purpose of the evaluation. From the partner country perspective there have been efforts to begin to rationalise TRCB whether via the Integrated Framework in the case of some LDCs or via other national-led initiatives – and it may be more appropriate to consider what contribution DFID initiatives have made to

² See for example, OECD, ‘Trade Facilitation: The Benefits of Simpler, More Transparent Border Procedures’, at <http://www.oecd.org/dataoecd/35/50/8920454.pdf>

³ It is possible that some donors including DFID have included projects in their TRCB catalogue which were not designed as TRCB projects, raising questions about reclassification and the extent to which TRCB funding is additional.

such country-level programmes rather than to consider whether there is a programmatic rationale or ‘cluster coherence’ for DFID-projects on their own.

18. Besides DFID’s funding of specific bilateral TRCB projects or programmes and contributions to multilateral projects or programmes, it may have supported partner governments’ trade work through Direct Budgetary Support (DBS). In a number of countries, particularly in Africa, DFID is allocating a large and increasing share of its bilateral assistance via DBS. For example in Ethiopia, Ghana, Malawi, Mozambique, Rwanda, Sierra Leone, Tanzania and Uganda, DBS is expected to account for two-thirds of DFID funding by 2005/06.⁴ The aim of DBS is to give a government greater control over resource allocation and to make other ministries more accountable to the finance ministry and the government as a whole more accountable to its citizens, rather than to donors. At the same time DBS seeks to increase coordination of donor activities, cut back on tied technical assistance, and reduce the administrative costs for recipients by eliminating the requirements various bilateral reporting procedures.⁵
19. The focus of this evaluation was on DFID’s longer-standing TRCB via projects and programmes, rather than on its newer involvement via DBS. It would also have been difficult to trace the extent to which DBS was used for recurrent expenditures of trade ministries for instance, let alone to facilitate TRCB. Nonetheless we consider here briefly how to address TRCB in the context of DBS.
20. There are three points to be made. First, the primary focus of many governments, and thus of DBS, is on health and education, rather than on trade, and thus there might be a question about the role for TRCB. In fact DBS has created new opportunities for TRCB. While few governments have included detailed consideration of trade within their PRS, most recognise the importance of trade to their economies and to issues of sustainable livelihoods. This had led many to engage in the IF process, and to identify areas where investments in trade-related infrastructure and addressing supply-side constraints are needed. At the same time, there is scope within the policy dialogue between governments and donors, that has become associated with DBS, for discussions about trade policies and capacity needs. This is an issue that might be addressed in the context of the Africa Commission report. As chair of DBS donors in some countries, as in Mozambique⁶, DFID can play a leadership role in this area, provided DFID officials themselves have the appropriate knowledge about trade and TRCB.
21. Second, there may be scope for notional or actual earmarking of DBS funds for TRCB. In Ghana, there is a multi-donor technical assistance fund of up to 5% of DBS to support capacity building in focal areas. DFID has identified four thematic areas around which to

⁴ DFID, *Departmental Report*, 2004, p. 33.

⁵ Andrew Lawson et al, *General Budget Support. Evaluability Study Phase 1. Synthesis Report Vol.1*, DFID Evaluation Report EV 643, October 2003.

⁶ DFID, *Mozambique Country Assistance Plan 2004-2007*, Consultation Draft.

structure its support, of which one is the enabling environment for private sector led pro-poor growth and another is sustainable livelihoods and increased production. TRCB might be relevant to both, and more specifically to DFID's interest in supporting research institutions and CSOs to promote knowledge, dialogue and coalition-building on key policy issues connected to the national PRS and to sub-regional and global trade, amongst others.⁷

22. Third, even where DBS is predominant, there is still scope for sector specific financing and project support for key interventions as necessary.⁸ TRCB in particular may be needed to help mainstream trade considerations into PRS and into other ministries besides trade – for instance to explain the links between health and trade. Even where there is broad recognition within government and particularly within the finance ministry of the importance of trade, project or programme support for the trade ministry, or broader sectoral support as in the Integrated Framework, may be needed.
23. DFID should consider organizing, with other donors and multilateral agencies, a workshop on mainstreaming trade policy, and within that TRCB, drawing on evolving experiences with trade-related DBS, PRS and SWAs, and how these relate to the more traditional project or programme approaches in terms of relevance, effectiveness, impact and sustainability. The opportunities for donor coordination should be considered. The conclusions of that workshop might point the way forward for financing modalities of future TRCB. It may also suggest directions for how to address TRCB in the context of DBS-related policy dialogue which could be included in DFID's new trade strategy.

Box 1: Revenue authority projects

24. DFID has funded several bilateral projects addressing revenue authorities and specifically customs. Typically these have not been considered TRCB projects in DFID; for instance they have not been included by DFID in its reporting on trade projects for the WTO/OECD database. Similarly in the recipient countries, the projects typically fall within the purview of finance ministries. Nonetheless it is clear that these projects have a strong trade orientation and are relevant to trade, especially with the current interest in trade facilitation, as well as concerns in countries, which are highly dependent on tariff revenue, about the consequences of future tariff cuts whether as a result of multilateral commitments or regional trade agreements.
25. One such DFID project is the support to the Lesotho Revenue Authority (LRA) – a £3.8 million project running from 2002 to 2005. The LRA, which began operations in 2003, is responsible for collecting income and other taxes and duties. Its creation is intended to

⁷ DFID, *Ghana Country Assistance Plan 2003-2006*, pp. 14-16.

⁸ See, for instance, DFID, *Ghana Country Assistance Plan*, p. 13. Also the Departmental Report 2004 notes: 'Projects and technical assistance are likely still to play useful roles... These will be particularly aimed at building capacity to strengthen state institutions, financial management and civil society' (p. 33).

help the government improve its revenue collection and more specifically manage the expected decline in customs revenues arising from Lesotho's membership in the Southern African Customs Union (SACU), both by the introduction of a Value-Added Tax (VAT) to generate offsetting revenues, as well as maintaining statistics on trade with SACU to ensure it can claim for the appropriate level of tariff revenue transfers from South Africa.

26. The purpose of the DFID project is sustainable, equitable and improved tax management by the LRA, with the goal of generating adequate funding for pro-poor expenditure policies and poverty reduction. DFID funding is being used for help in setting up the LRA, including hiring and training staff, and the introduction of management systems and the software such as the Automated System for Customs Data (ASYCUDA), the VAT Information Processing System and the Oracle e-business software.
27. Amongst initial successes of the project according to the December 2003 OPR are: effective implementation of a VAT system with almost complete registration of taxpayers and regular filing of returns; an increase in VAT revenues collected at the border – to levels that are triple the previous sales tax collected; improvements in border procedures cutting waiting time from 2-3 hours to 30 minutes for large traders and from 20 to 60 minutes to 5 minutes for small traders; and the creation of an advice centre and publicity to promote public understanding of the VAT. Increased revenues reflects in part a reduction in smuggling; as waiting times have fallen, so has the incentive for smuggling or bribing officials to avoid queues. Other factors have been the doubling of the VAT threshold, effectively exempting small traders; the zero-rating of some basic foodstuffs; and the harmonisation of most tax levels with those in South Africa.
28. A number of questions raised in the OPR include: whether the LRA has adequate resources to meet its own costs and in particular to pay staff the salaries needed to minimise both turnover and corruption, as well as facilities such as the advice centre; and the future autonomy of the LRA, in terms both of the choice of the future Comptroller-General and the management of the agency more generally. A more fundamental question is whether the increased resources will in fact be used for poverty reduction purposes. As the OPR notes (p. 14): this 'will depend in part on the government's fiscal strategy where there are suggestions that improved revenues may be partly directed towards a significant repayment of domestic debt. On this basis a significant improvement in poverty reduction, attributable to this project, is currently unlikely.'
29. On the other hand, it notes that the LRA may contribute to poverty reduction indirectly, for instance by contributing to enhanced economic stability and by its efficiency in tax collection allowing tax rates on some basic foodstuffs to be zero-rated.

30. DFID has supported similar projects elsewhere – over 40 since 1992, according to an evaluation published in 2001.⁹ These include projects in Ghana, Mozambique, Pakistan, South Africa, Tanzania, Uganda and Zambia, in which DFID offered assistance with institutional reform, new organisational systems, training and legislative reform to enhance taxability, compliance and enforcement. For the most part these earlier revenue projects did not target trade – though in some cases they sought to help in the shift from revenue systems based on trade taxes (or more precisely export-based trade taxes) to more broadly based direct and indirect taxes. The 2001 evaluation found that the shift had mostly been progressive, especially where the trade taxes had been borne primarily by low-income rural producers as in the case of coffee in Uganda and cocoa in Ghana, and where the new tariff system excluded the informal sector and zero-rated basic consumption items. Also the improvement in compliance and collection had allowed the reduction of overall import tariffs. Given the evidence of its projects contributing to increased capacity to collect revenue and the implementation of more progressive taxation, the evaluation recommended DFID continue to provide support in this area. However it cautioned that in the medium term revenue collection rates would depend on the policy and institutional environment, while the extent to which revenues would be used for poverty reduction expenditures was also outside DFID's influence.
31. One of the suggestions made in the LRA OPR is for greater efforts to share the lessons learned in these various revenue projects. This would require a more deliberate strategy – establishing close working relationships with good performing organisations in the region, sharing manuals between similar projects, facilitate cross-learning via study visits (ibid. p. 35). These observations could be applied more generally, i.e. to other types of TRCB projects or programmes.
32. Finally, mention should be made of support given to customs via a number of multilateral projects which DFID supports, such as UNCTAD's ASYCUDA and the Joint Integrated Technical Assistance Programme (JITAP) which is jointly implemented by the ITC, UNCTAD and the WTO.
33. *How is TRCB linked to poverty reduction?* Another issue that remains the subject of some debate is whether TRCB should directly target poverty reduction and what links might be made between trade policies and PRSs – or whether an indirect or enabling approach is more appropriate. Some analysts and Southern governments suggest that the primary mechanisms for addressing poverty and other objectives such as gender equality should be primary education and health care. The goal of TRCB, they argue, should be to help governments maximise their national trade opportunities – whether through trade policies or institutions or complementary policies -- which in turn will lead to maximum growth and then poverty reduction. On this basis, the priority would be to help governments identify such policies or institutions, negotiate and implement them. To the extent that

⁹ John Gray and Emma Chapman, Evaluation of Revenue Projects Synthesis Report, Vol. 1, DFID Evaluation Report, EV636, February 2001.

TRCB includes any reference to poverty reduction, it would be limited to identifying whether adjustment assistance is needed to offset any short-term negative impacts on poor people from trade liberalisation, or to maximise the realisation of positive trade opportunities for poor producers.

34. There is a growing body of analytical work, however, as well as strong political support particularly amongst civil society organisations in both developing and developed countries, for making a more direct connection between trade policy choices and poverty reduction.¹⁰ Also the political reality of public concerns with global economic integration appears to justify TRCB which focuses on particular sectors, regions or rural areas, in which poor producers or low-income workers are to be found. Sub-national levels of government representing poorer regions and CSOs working with poorer people are keen to understand what are likely to be the direct implications of different trade rules for poverty reduction. And national governments increasingly recognise the importance of identifying how trade policies, in conjunction with other policies, can be used to promote employment for lesser-skilled workers in rural areas. Of course, this narrower focus should complement, not replace, TRCB which addresses broader systemic issues such as market access and primary commodity dependence, which also link trade and poverty.
35. There are many different ways in which poverty might be built into TRCB projects or programmes. One is through prioritisation of products involving poor people as producers or consumers, or poorer regions. For instance, building national capacity to take advantage of the WTO provisions on access to medicines can be important for ensuring that trade contributes to poor people's health. Strengthening understanding of the ways in which Northern agricultural domestic support depresses world prices and national farmer incomes, may help negotiators to build coalitions and press for special safeguards, until such support is eliminated, in the course of the Doha Development Agenda. In a border region, measures to facilitate trade at border posts or to promote knowledge of changing trade opportunities across the border, can target poorer producers and SMEs. More generally, TRCB could involve working with private sector groups such as chambers of commerce or product associations, as well as government ministries to provide the types of support needed by smaller producers. For instance, the aim could be to identify appropriate policies to pursue within trade negotiations, or to identify areas for direct support programmes e.g. improvements in public sector infrastructure for standards and quality control, and for training of producers.
36. *How is TRCB most effectively delivered?* As is the case with other types of capacity building, there are many ways for funding and delivering TRCB, with varying degrees of effectiveness. DFID has funded both multilateral and bilateral TRCB, with the latter involving both public sector to public sector initiatives but especially the use of

¹⁰ See for instance, UNCTAD, *The Least Developed Countries Report 2004, Linking International Trade with Poverty Reduction*; UNDP, *Making Global Trade Work for People*, 2003; N. McCulloch, A. Winters and X. Cirera, *Trade Liberalisation and Poverty, A Handbook*, CEPR, 2001 .

consulting firms, private sector associations, universities/think-tanks and NGOs. In the country case-studies the primary focus was on bilateral assistance, though some attention was given to multilateral and multidonor projects with DFID funding. Also, we considered some DFID-funded work implemented by UNCTAD, reported here in Annexe B.

37. Multilateral TRCB has ranged from analytical reports and workshops by UNCTAD on particular sectoral issues (e.g. services), to WTO courses and seminars on its rules and procedures, to International Trade Centre studies and training on export market needs and prospects. Amongst the particular advantages of several multilateral agencies is their capacity to bring cross-country comparative experience, often to draw on regional expertise in capacity building, and in some cases to use existing offices based in recipient countries to manage their TRCB.
38. Another key characteristic may be their capacity to broker relationships between funders and recipient countries. Multilateral agencies can mitigate the potential conflict of interest which donors, especially larger donors such as the UK and EU, face in building the capacity of governments with which they are negotiating trade agreements, whether through the WTO, regionally or bilaterally. While such conflicts may arise in other areas of technical assistance/capacity building, for example in the rewriting of mining codes, in the case of trade they appear to be more of a concern. The collaboration of six multilateral agencies in the design of an Integrated Framework for TRCB in a number of LDCs is intended to help governments establish parameters for this assistance from bilateral as well as multilateral agencies. Multilateral agencies can provide advice which is arms length – certainly that seems to be the view of many developing countries towards the support they have received from agencies such as UNCTAD and the Commonwealth Secretariat, even in cases where the support has been part of a programme bilaterally funded (as in the case of UNCTAD’s work on services and on WTO accession, much of which DFID funded), or funded by a small number of donors (such as the Commonwealth Secretariat’s Trade and Investment Access Facility or TIAF). On the other hand questions may be asked about the independence of CB from multilateral agencies which depend on donor funding, or which themselves are a major source of development finance, as in the case of the World Bank.
39. In the case of bilateral TRCB projects, there are a number of ways in which DFID and other donors have sought to limit the potential for conflicts of interest. The use of independent consultants or analysts from the academic and NGO sectors is a fairly common approach, though it is less common for the recipient government or organisation to have a role in their selection. Another strategy is to ensure that the choice of substantive issue areas to be addressed remains with the recipient. A third is to allow the studies or policy advice given to governments to remain confidential, especially where these concern negotiating issues. Feedback on the quality of such reports or advice can be sought from government representatives or neutral third parties. In practice, even with these mechanisms in place, recipients may sense donor influence over TRCB, as after the

collapse of the WTO Cancún ministerial when some donors suggested that developing countries, particularly in Africa, had been getting the wrong advice.

40. As in some other areas of CB, in the case of trade, much learning occurs through practice – both in the public and private sectors – rather than through formal TRCB processes such as workshops. For instance in the private sector, TRCB happens largely through actual trading itself, through the influence of foreign buyers (standards, quality, design, cost-efficiency), investors (technology transfer), and competitors (imitation and adaptation). The feasible technical assistance interventions in this area will be largely through private sector development projects. The World Bank and bodies such as ITC and UNIDO are best placed to undertake this type of TA. In the public sector, capacity is built through participation in negotiations and other meetings at the WTO and through the inter-ministerial, inter-institutional development of a national trade strategy, as well as through courses or conferences on negotiating strategies.
41. These issues are addressed further below, especially in Sections 4, 5 and 6.

Section 3. DFID’s TRCB portfolio

3.1 DFID’s Inventory

42. Our review of the DFID inventory of TRCB projects involved several elements. First, we sought to determine the integrity of the inventory – i.e. whether it included all DFID projects involving TRCB, and excluded projects with no TRCB. To do this we searched the PRISM database for projects using key trade-related words, and we examined the project documents relating to these projects and those already in the inventory. This process led to the addition of some projects and the exclusion of a few others. In the course of undertaking the country case-studies we also uncovered some projects which had TRCB components. As discussed further below, in some cases, only a small component of a project may be trade-related. Another problem arises with the unclear dividing line between private sector development and building capacity for trade. Finally, while the characteristics of TRTA and TRCB are different, it is difficult to distinguish the amounts being invested in capacity building from technical assistance. Within a single project both may be involved. We therefore followed the WTO/OECD practice of including both.

43. Second, we reviewed the inventory in the context of the two broad policy objectives set out in the 2000 White Paper on International Development. These were to:

- Support an open and rules-based international trading system, and work to promote equitable trade rules and an effective voice for developing countries.
- Support continuing reductions in barriers to trade, both in developed and developing countries, and work to improve the capacity of developing countries to take advantage of new trade opportunities.¹¹

We found that DFID’s TRCB projects and programmes were consistent with the White Paper objectives and others subsequently set through the OECD and the WTO’s Doha Development Agenda.

44. Several projects have sought to help developing countries understand the implications of WTO rules and to identify strategies to promote their national interests, as part of broader poverty reduction strategies. This has involved consideration of both domestic trade policy options and changes countries might seek in the trade policies of their trading partners. Complementing these initiatives, DFID has supported evidence-based research in the UK, multilateral agencies and elsewhere on equitable trade rules and barriers to developing country exports, to inform its dialogue with the trade policy-making process in the UK and the EU. Another area of TRCB and one which has absorbed substantial resources has been trade development, i.e. projects to improve developing countries’ capacity to take advantage of changes in trade rules. This reflects the importance, given

¹¹ DFID, White Paper on International Development, 2000, Chapter 5, p. 65. For further details see Working Papers 1 and 2.

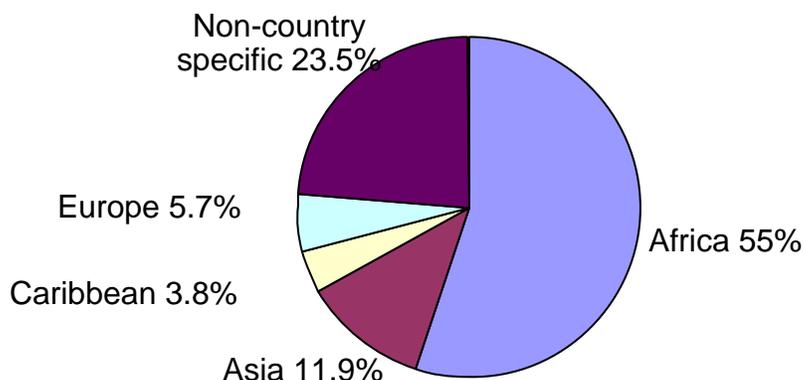
in the White Paper, to helping developing countries realize their export potential in order to reduce poverty.

45. Finally, we also reviewed DFID's TRCB portfolio to determine the coherence with DFID's objectives to poverty reduction and gender equality, as discussed in section 4.

3.2 Overview of DFID's TRCB in a comparative perspective

46. DFID's portfolio of TRCB projects between 1998 and 2003 amounted to a total of £161 million divided between more than 100 projects. Africa received the largest share of this funding (55%). Indeed, large programmes like the Africa Trade Poverty Programme or the Business Linkages Challenge Fund (which now includes the Tourism Challenge Fund) allocated a large amount of funding for both trade policy and trade development projects. Almost a quarter of the funding (23.5%) is not allocated to one country or region in particular. Projects directly managed by ITD such as the Trade Policy Development Programme implemented by the World Bank or the TRIPs Capacity Building project are examples of such non-country specific projects. The majority of the projects support trade development, often guided more by a private sector development perspective than trade per se.
47. The number of TRCB projects, especially large projects, has grown recently. On the trade policy side, a project like the "Strategies and Preparedness for Trade and Globalisation in India" project implemented by UNCTAD with more than £5 million is a good example of this trend. Examples of large projects in the area of trade development, include projects in South Africa (Commark) and Nigeria (Commodities Support Programme) each with a budget of £15 million. Given the cuts in DFID staff that are expected as part of the UK public spending cuts announced earlier in 2004, a shift toward large projects may be more manageable for London- and country office-based staff. This is especially true for ITD which has to monitor and make recommendations to the British government on trade policy positions as well as managing a number of multilateral TRCB projects. More than half of the portfolio we collated is composed of projects below £500,000. A shift toward larger projects may be inevitable given DFID's increasingly constrained human resources.

**Chart 1. Regional distribution of DFID's TRCB
1998-2003**



48. We cannot compare this 1998-2003 portfolio to that of other donors, as there is no comparable data available for that period. For comparisons with other donors, we have to rely on the information provided by the WTO/OECD database which only covers 2001-2003. During this period, amongst bilateral donors, in absolute terms, the UK ranked fifth after the US, Germany, France and Switzerland, contributing about 5.5 percent of the DAC bilateral total of US\$ 3.6 billion (Table 1). As a share of bilateral sector-allocable aid, the UK allocated 2.4 percent to TRCB and ranked eighth in 2002, the latest year for which such information is available. This compares with 3.8 percent for all donors and 3.0 percent for all DAC countries. The European Commission stands out with more than 12 percent of its aid funding devoted to TRCB. Even if the totals for the EC are somewhat overstated, given the problem with reporting trade development activities discussed below, it remains that it is a donor which puts great emphasis on TRCB as part of its aid activities.

49. The United States and the EC together contributed more than 60 percent of the TRCB total. We should stress here again the need for care in interpreting these totals. The information for trade policy and regulations activities is probably quite accurate, as they are focusing exclusively on building capacity in these areas. However, the category “trade development” is more complicated to report. In their reporting, some donors isolated the funding devoted to the trade component of the activity whereas others did not, leading to overestimation of total TRCB funding. This may explain the large difference between the US, the EC and the other donors. A change in reporting method explains why the funding for trade development activities by France increased so dramatically from 2001 to 2002.

Table 1 Commitments of TRCB/TRTA by donor - US\$M

Countries	TOTAL (2001 to 2003)			GRAND TOTAL
	Trade policy	Trade development	To multilateral providers	
US	546.2	1,333.10	5.8	1,885.10
Germany	22	227.3	5.6	254.9
France	19.9	202.5	4.3	226.7
Switzerland	19.5	174.9	17.2	211.6
UK	71.3	123.6	5.2	200.1
Canada	96.4	91.3	6	193.7
Japan	61.6	104.6	2.2	168.4
Netherlands	19.5	99.2	10.1	128.8
Belgium	3.9	72.2	1.4	77.5
Denmark	0.4	51.6	6.8	58.8
TOTAL DAC	926.4	2,621.00	93.3	3,640.70
Other bilateral	26.8	6.6	2.7	36.1
TOTAL bilateral	953.2	2,627.60	96	3,676.80
EC	979.5	1,392.20	1.6	2,373.30
IDA	245	324.9	2.3	572.2
AsDB	63.7	2.2	0	65.9
Implemented by ITC	3.7	56.7	...	60.4
Implemented by WTO	28.8	0	...	28.8
FAO	8.5	18.3	0	26.8
UN	12.5	9.6	4.6	26.7
Other multilateral	8.4	2.7	2.9	14
IMF	4.6	0	0	4.6
TOTAL multilateral	1,354.70	1,806.60	11.4	3,172.70
TOTAL	2,307.90	4,434.20	107.4	6,849.50
Source: WTO/OECD, 2004				

50. Like most donors, the United Kingdom funnelled more funds into the development of trading capacity than trade policy capacity building activities; but it is more focused on trade policy and regulations which account for 36 percent of its TRCB activities, above the DAC average of 25 percent for 2001-2003. The caveat regarding the reporting of activities under trade development applies. If we compare what types of trade policy and regulations activities are supported by DFID and other donors, we note marked differences. Trade facilitation, regional trade agreements, trade mainstreaming, technical standards (TBT/SPS), and trade and the environment are the areas which generally have received most support, whereas for DFID mainstreaming trade into development strategies has been much more of a priority, followed by trade facilitation, negotiation techniques, accession and TRIPs. As for the type of trade development activities, DFID's support is generally similar to other donors with business support services and

institutions, followed by trade finance as the main focus though for all donors, trade promotion ranks ahead of the other two. Finally, with respect to geographical distribution, a third of all TRCB funding is directed at Africa, with Asia receiving 24 percent, and Europe and Latin America/Caribbean another 14 percent each. In contrast, since 1998, over half of DFID's TRCB has been focused on Africa, with much smaller shares going to the other three regions (Asia 7 percent, Europe 6 percent, and Latin America/Caribbean 3 percent).¹²

3.2 Issues regarding definition and classification of TRCB

51. The concept of TRCB is relatively new – and its evolution from earlier efforts focused on trade-related technical assistance (TRTA) raises a number of issues for its evaluation. Similarly the evolution from aid for export marketing to aid for the development of trade capacity – encompassing both trade policy and regulations and production for export – has implications for evaluation.
52. With respect to the shift from TRTA to TRCB, a key question is whether this has involved a substantive change in the design of trade projects, or whether it is merely a change of name. Some donors and recipients use the terms interchangeably, causing some confusion about what is intended. The WTO/OECD database refers to TRTA/CB. Evaluators need to consider whether projects are merely supplying technical assistance, which tends to be characterised by short-term, one-off activities; a focus on individuals rather than institutions or processes; and/or reports written by foreign consultants. In some cases, such assistance may be appropriate. But the emphasis on aid effectiveness has led donors and recipients in the area of trade, as in other areas, towards capacity building which may include a longer-term focus, programmes of activities, a focus on institutions and the broader policy framework, the use of national or regional consultants, and the development of networks.
53. The best source of information to compare levels of funding of trade-related capacity building activities is the WTO/OECD database. The database, however, does not differentiate between trade-related technical assistance and trade-related capacity building.¹³ TRCB/TA as defined by the data-base includes 20 categories within trade policy and regulations assistance programmes and six categories within trade

¹² NB As much as a third of UK TRCB cannot be geographically specified; for all donors this unspecified share is 15%.

¹³ For the purposes of the WTO/OECD data base, “TRTA/CB was defined as activities that intend to enhance the ability of the recipient country to:

- 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
- stimulate trade by domestic firms and encourage investment in trade-oriented industries; or
- participate in and benefit from the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce.”

development (such as business support services and institutions, trade finance, and market analysis and development). Some trade development categories are so broad that donors may include projects for which the objective is the development of the private sector (including entrepreneurs involved in non-tradable activities) rather than trade per se.

54. Related to this definitional issue is one of quantification. Even where some trade is involved, donors may find it difficult to isolate the trade development activities in their programming. This is one of the key problems of the WTO/OECD database: the variation in what donors included in trade development when they provide information to the OECD. As the WTO/OECD report states, “A number of donors isolated the trade component of each activity, whereas others reported the whole activity marking it trade-related. The total amount of TRTA/CB in this category [trade development] should therefore be interpreted with caution” (WTO/OECD, 2003, page 10).
55. Given these difficulties, there is room for disagreement regarding what should be included in the inventory of donors’ TRCB. One example of a project which was not included on DFID’s inventory of TRCB sent to the WTO/OECD database was a large project of UK£6 million, the Ukraine Rural Livelihoods Programme. It is aimed at transforming the agricultural sector, to make it more market-oriented and more productive, especially through the provision of better services. It is estimated that about UK£500,000 is allocated to trade issues and this is as large as many stand-alone trade projects. The project created an Institute of Rural Development. An important concern of this institute is to address issues relating to WTO accession and to keep farmers informed of the implications of WTO rules. Improving the efficiency, productivity and competitiveness of Ukrainian farmers is critically important to enable Ukraine to enter the WTO without severe disruptions to the farming economy. The institute has already built up expertise on WTO and has provided assistance to government, parliament and NGOs on WTO and EU accession issues. If trade issues become increasingly integrated in development assistance programming, donors will have to agree on a uniform way to report such funding, if there is to be comparable data on how much support is going to trade-related capacity building.
56. Another example is the £5 million project “Making Financial Markets Work for the Poor” (Finmark) under implementation in South Africa. DFID has included it in its reporting to the WTO/OECD database as a trade development project focusing on trade finance. However, after consulting the project documents, we observed that this project does not focus on international trade. It does not include a component which targets financial needs in terms of trade finance nor does it address any other obstacles which African producers face in accessing foreign markets. A more conservative approach to classifying projects as trade-related would exclude this project.
57. This illustrates a problem for DFID, as for other donors, namely that the classification and reporting of TRCB projects is very time- and resource-intensive. One option would

be to have guidelines for each project manager to help them determine which project components should be classified as TRCB. The manager would report the information to one central point at ITD. The latter person would still need to double-check and verify the classification made by project managers, but this task would probably be much lighter.

Section 4. Linkages to poverty reduction and gender equality

4.1 Introduction

58. The objective of this section is to examine how the linkages are made between trade and poverty in DFID's Trade-Related Capacity Building (TRCB) activities. DFID's trade unit, ITD, has supported research and dissemination activities on the linkages between trade and poverty. How are these linkages addressed in TRCB programming? Here we consider whether these linkages were explicitly made at the design phase as well as during the implementation of TRCB projects.
59. In addition, this section discusses whether and how DFID's TRCB programmes included gender-responsive approaches, by examining if entry points were created in the programmes to allow the integration of gender equality issues. How far was DFID's TRCB consistent with its commitment to putting gender equality at the centre of its international development work and to ensure that this goal is "actively pursued in the mainstream of all development activities" (DFID, *Poverty Elimination and the Empowerment of Women*, 2000, p. 28)?
60. In our earlier review of donors' TRCB strategy documents, we identified two general approaches in terms of the linkages made between TRCB and poverty reduction.¹⁴ The "focused approach" adopts an explicit emphasis on the poorer groups of society. An example would be support for the development of a national trade strategy that focuses on labour-intensive sectors where a good case can be made that poor people stand to benefit. On the other hand, the "enabling approach" stresses the impact of trade expansion and liberalisation on economic growth, which in turn is likely to reduce poverty. The latter approach appears to be more common among donors and DFID usually justifies its support for TRCB on the premise that trade leads to economic growth and poverty reduction. Nevertheless, a DFID-supported handbook on trade and poverty underlined the importance of making the linkages between the two more explicit and we would therefore expect that this work would influence DFID's approach to TRCB.¹⁵
61. Our assessment revealed that these linkages are not sufficiently integrated in DFID's TRCB, especially in the projects focusing on trade policy. Trade development projects tend more often to adopt a focused, rather than an enabling, approach to trade and poverty. Regarding the integration of gender equality concerns in TRCB, we also observed that DFID, like most donors, has rarely explicitly included gendered dimensions in the design or implementation of TRCB projects. This section of the report will conclude with some recommendations on how a more focused approach could

¹⁴ See Chantal Blouin, 'Comparative analysis of DFID and other donors' trade-related capacity building activities', DFID TRCB Evaluation Working Paper No. 2, NSI, November 2004.

¹⁵ See McCulloch, Winters and Cirera, 2002, DFID, 2002 Briefing.

complement the projects which aim at creating an enabling environment for international trade.

4.2 Trade, poverty and gender in DFID's TRCB design and implementation

62. In order to determine the linkages between DFID's TRCB activities and its poverty reduction and gender equality mandates, we examined documents relating to DFID's TRCB programmes and projects, and determined whether gender and poverty issues were included in their design. The documents examined included project memoranda, logical frameworks, concept papers and internal reviews (output to purpose reviews). We should note that in this exercise, multi-country programmes, such as the Business Linkages Challenge Fund and the Africa Trade and Poverty Programme, were only counted as one unit.
63. The table below lists DFID's TRCB projects which made a direct and explicit link to poverty reduction or gender equality. This can manifest itself in the purpose or objectives of the project, in the sectoral priorities or the list of criteria to be eligible for funding as set out in the project memorandum. The table reproduces the elements of the project documents which made explicit the linkage between trade and gender or poverty reduction.
64. *a. Gender.* We have identified seven projects or programmes which included a focus on gender equality. Only one of them is a trade policy project and the rest are trade development projects. The trade policy project, entitled "Bangladesh and the WTO: The Changing International Environment and Poverty Reduction," was a research-oriented project which brought together the International Food Policy Research Institute (IFPRI) and the Bangladesh Institute of Development Studies (BIDS) to conduct capacity building activities and research. One of the research papers focused on the impact of the textiles and clothing quota phase-out on household incomes. The Bangladesh case study conducted by our team found that "the results of the paper may be very useful in [...] planning alternative employment opportunities for the workers, particularly for the female workers who have less skills."
65. Amongst the six trade development projects was another trade-related research project which included an important gender component; this was a project on ethical trade in horticulture undertaken in South Africa, Kenya and Zambia in 2002-2004. The objective of the research was to investigate how codes of conduct can enhance the economic and social rights of women and men workers in African export horticulture; and identify best practice in implementing gender-sensitive ethical trade. For instance, the Kenyan study on cut flower farms highlighted a number of concerns that are specific to female workers which are not addressed by codes of conducts, such as the difficulty of balancing productive and reproductive roles when overtime is compulsory, and the problem of sexual harassment from male supervisors.

66. Support for policy-oriented research on the gendered-dimension of international trade is an important first step to ensure that gender equality is integrated in TRCB. Policymakers and stakeholders are only beginning to understand how trade reforms have gender-differentiated impacts. The development of a national trade strategy to be included in a broader national development strategy needs to be informed by good-quality information on gender and trade. Such work is usually lacking. DFID should therefore consider including a gender research component in its trade policy projects. A lesson to be drawn from the two projects mentioned above is the need to include mechanisms at the design phase for such research to be undertaken and for ensuring that the findings and recommendations of the research on gender and trade reach policymakers.
67. For many of the other five TD projects or programmes which include a gender-component or focus, the inclusion of a gender component was one of the criteria for selection of sub-projects or activities. In some cases, this gender-focus in the design of the project was reflected in its implementation. For instance, in the Business Partnership Programme, the sub-projects supporting commercial bee keeping and social auditing in horticulture had a positive impact on women producers and workers. In Bangladesh, it took the form of support for the participation of women entrepreneurs in Chambers of Commerce, through the SouthAsia Enterprise Development Facility. On the other hand, in some projects such as the Umbrella project (otherwise known as Enabling the Business Environment) in Kenya, the actual implementation of the projects did not have a gender-focus or component. Nevertheless, it remains that trade development projects can easily include a gender component to maximise the poverty reduction impact of international trade. This can be done in many ways. For instance, a project supporting trade finance could deliberately include a component supporting women entrepreneurs' access to trade-related credit to deal with the gender differences in access to both formal and informal financing. A project supporting the development of export industries or export processing zones which often rely on female labour could be complemented with a component aiming at strengthening the protection of workers' rights. The resource tool developed by the Canadian International Development Agency (CIDA) could be used by DFID to this end.¹⁶ The topic of gender and trade could even be a fruitful area for collaboration among donors, as many are only beginning to examine how their mandate on gender equality can be integrated in their support of TRCB.
68. *b. Poverty reduction.* Regarding the linkages between TRCB project and poverty reduction, we observed that most project documents mention that DFID's support to TRCB is based on the premise that trade can contribute to economic growth and poverty reduction. However, only a small number of projects have a more explicit focus on poverty. We identified thirteen TRCB projects which included an explicit focus on poverty reduction. TRCB is a new area for donors, and as with the linkages to gender

¹⁶ CIDA, *Gender Equality and Trade-Related Capacity Building: A resource tool for practitioners*, Ottawa, CIDA, August 2003.

equality, DFID is still learning about how to make more direct linkages to poverty reduction. Thus, the Africa Trade and Poverty Programme was designed have poverty reduction mainstreamed in African governments’ trade policy agendas, to integrate trade into national Poverty Reduction Strategies, and to have poverty considerations more explicitly reflected in the work programmes of regional trade organisations. In each country the ATPP supported a national study on trade and poverty which was supposed to inform subsequent capacity building activities. However, in the course of its implementation, these studies were not completed or used. Nevertheless, support for national sectoral studies of the impact of trade policies on poor people should remain a key strategy for DFID to strengthen the capacity of recipient countries to design pro-poor trade policies.

69. In addition to research on trade and poverty, another strategy to focus on poor people in trade policy projects is illustrated in the recent DFID-funded project being carried out by UNCTAD on “Trade and Globalisation in India.” A key aim is to ensure that the interests of poor people are represented in the trade policy dialogue with policymakers. The project provides an opportunity for greater engagement of NGOs, civil society organisations and local and regional universities outside New Delhi, by building their capacities for research and analysis of trade and poverty issues. Also, it could engage with associations of smaller and informal producers as well as civil society organisations representing the interests of the poor, e.g., farmers associations, informal workers associations, and NGOs working with marginalised segments. This might lead to more emphasis on product groups of greater interest from the angle of poverty reduction.
70. With respect to the poverty focus of trade development projects, a number of questions have been raised. Should DFID focus on small producers or on the employment impacts of large exporters? Should a focused approach concentrate on certain sectors where poor people are found? By reviewing DFID’s work in this area, we cannot easily discern which approach has been favoured by the agency at this point. Some sectors like tourism seem to offer privileged channels to link international trade to poverty reduction; harnessing the poverty reduction potential of tourism has been attempted in Uganda, Nepal and Jamaica. Moreover, a preference for small producers appears in a number of project documents, even though not with an explicit discussion of the rationale of focusing of smaller producers. This ambivalence may reflect internal discussions within DFID on the benefits of adopting a broader enabling approach supporting mostly large producers who can more easily access foreign markets vs. a more focused approach developing the export capacity of small producers.

Table 2. Projects with references to gender equality and poverty reduction

Project	Gender equality	Poverty reduction
1. Business Linkages Challenge Fund	Criteria: What procedures will be put in place to ensure that the BLCF takes adequate account of gender,	Key criteria: it is proposed that bids be appraised according to the degree to which they satisfy the following

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	environmental and other corporate social responsibility issues in project screening, contracting and monitoring	criteria, including improvement in the incomes and livelihoods of poor people
2. Africa Trade and Poverty Programme		The <u>purpose</u> of the Trade and Poverty Programme (TPP) is to enhance capacity in national governments, sub-regional and regional organisations to formulate, negotiate and implement trade reform strategies which are inclusive and pro-poor
3. Business Partnerships Programme – Kenya	Goal: To reduce the incidence of poverty in Kenya, especially among women	The grants will co-fund innovative projects, studies and other activities that contribute to the project's purpose of improving the livelihoods of poor men and women in Kenya.
4. Enabling Environment for Business in Kenya	Purpose: To improve the enabling environment for businesses generally (particularly for medium, small and micro enterprises and those owned by women)	
5. Ethical trade in African horticulture	The study will identify the extent to which gender-specific concerns have been (a) incorporated into existing codes of conduct and (b) addressed in the process of code monitoring and verification by stakeholders in horticulture in South Africa, Zimbabwe and Kenya.	
6. Training for Enterprise and Exports in Malawi		To improve the livelihoods of poor people in Malawi through the expansion of market-led local businesses and exports.
7. Communities and Tourism - Uganda		The project's objective is to demonstrate how tourism can be harnessed for poverty alleviation.
8. Assistance for Marketing Exports from Zambian Enterprises		Goal: to reduce the incidence of poverty in Zambia To promote more ethical and more effective business performance among enterprises in Zambia, leading to increased exports
9. Commercial Markets (Commark) South Africa	Income which accrues to a woman rather than a man is more likely to be used for the benefit of the wider household – and particularly children. Therefore, Commark will seek to focus its interventions on	This five-year project will directly address the systemic reasons that prevent markets from functioning effectively for the poor in Southern Africa

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	sectors that are likely to produce jobs and other benefits for women and, thereby, increase its poverty reduction impact.	
10. South Asia Enterprise Development Facility	Capacity building for women's Chambers of Commerce, focus on women-owned enterprises	
11. Bangladesh and the WTO: The Changing International Environment and Poverty Reduction	A major effort will be made to analyse the impacts of policy changes and external shocks through changes in women's employment and welfare at household level, including analysis of the effects of the WTO-related changes in the Bangladesh textiles industry (the major labour market for women). Gender issues are therefore a major integrated part of the research project.	Sectoral studies (agriculture and textiles/clothing) on the impact of trade policies for the welfare of the poor
12. WTO Poverty Impact Study		Study to assess the likely impact of Russia's WTO accession on poverty, labour markets and the regions
13. UNCTAD Globalisation Trust Fund – Trade and Globalisation in India		Pro-poor agendas will be articulated in the analysis, the terms of reference for which will include the need to assess issues from the point of view of poorer constituencies
14. Tourism Policy for Rural Poverty Alleviation - Nepal		The purpose is to develop sustainable pro-poor tourism models, institutions and policies
15. Exploring The Links Between Globalisation and Poverty in South Asia		The purpose of this project is to use pre-existing models of the South Asian economies to analyse the linkages between globalisation and poverty. India, Bangladesh, Pakistan and Sri Lanka
16. Jamaica Tourism Challenge Fund		The JTCF will stimulate income earning opportunities for poor people through the tourism sector, in particular by promoting links between larger businesses in the industry and micro and small-scale enterprises

4.3 Conclusions and recommendations

71. Based on the DFID-supported work on the impact of trade on poverty reduction, the enabling approach to linking TRCB to poverty is not sufficient. Indeed, “potential gains from trade liberalisation are not automatic or guaranteed. Reform must be pro-poor and carefully implemented in parallel with complementary policies that ensure new

opportunities are maximised for everyone and risks are minimised, especially for the poorest”.¹⁷

72. Therefore, some of the TRCB programming needs to adopt a focused approach to linking the two. For instance, trade policy projects which aim at supporting the development of a national trade strategy could fund the preparation and use by policymakers of trade and poverty studies. Moreover, capacity building activities should go beyond discussing the impact of trade agreements and examine the policy choices available to policymakers to maximise the poverty reduction impact of trade reforms and minimise costs. As discussed in the handbook on trade and poverty, these policy options include modifying reforms, compensation schemes (especially social safety nets) or complementary policies such as support for infrastructure. These issues could be the subject of a training course, which DFID might consider funding, on trade and poverty, linked to CB programming. Such a course could be developed in collaboration with research organizations or universities in each region for training officials from national governments and DFID/other donor offices within each region. A third way to strengthen the linkages between trade and poverty reduction is to ensure the participation of stakeholders representing the interests of poor men and women in the national trade policymaking processes and consultations.
73. On the question of whether trade development projects should target support to small producers or large exports to access international markets, the trade and poverty handbook supported by DFID offers an important message. “The impact of trade liberalisation on poverty is very country-specific,” McCulloch, Winters and Cicera (2002) tell us. DFID’s TRCB programming needs to take this as a starting point when designing new projects.
74. Finally, we found that gender equality objectives could be better integrated in TRCB programming. We noted that research on gender and trade at the national level could play a stronger role in helping policymakers to understand the gender-differentiated impact of trade reforms. The challenge here is to ensure that the results of the research are considered relevant and useful by trade policy officials, as they are then more likely to have an impact on the nature of the reforms and policy choices made at the national level. In trade development projects, the inclusion of a gender component has happened in some TRCB projects, but this needs to go further and become included in the design of most projects. DFID could also consider collaborating with other donors on the issue of how better to integrate gender equality objectives into TRCB, as many agencies are also only just beginning to do so.

¹⁷ p. 7, DFID Briefing, 2002.

Section 5. Building capacity for trade – research, training and other approaches

75. A key objective for DFID in its trade programming has been to build capacity for trade, i.e. to move beyond technical assistance which addresses one-off, immediate needs. It is generally recognised that short-term technical assistance will continue to be needed. But the aim is to reduce the proportion of resources that are used in this way, to ensure that TA contributes to longer-term CB projects i.e. which build national capacity to understand, negotiate and implement trade rules and to take advantage of related trade opportunities, in a way that maximises poverty reduction. In short, what is being sought is the creation of trade-related knowledge networks.
76. Typically TRCB has supported studies, workshops, training courses, and participation in conferences. It has also involved building and/or strengthening institutions involved in trade. In some cases, support to access information whether directly (book purchases) or indirectly (via the internet) has been important; e.g. DFID provided some computer equipment to trade ministries as part of the ATPP. Similarly multilateral programmes, such as JITAP to which DFID contributes, provide trade-related resource materials and equipment to WTO reference centres in the government, chambers of commerce and the university.
77. While the focus here, drawing on the five country case-studies, is on the bilateral projects which have directly targeted developing countries, DFID has also spent a significant amount multilaterally (e.g. via UNCTAD and the World Bank), and within the UK. The purpose has ranged from expanding global knowledge about trade and development issues, to meeting the needs for analyses particularly in the poorer developing countries, and building the capacity of DFID staff. DFID has funded several studies to inform its own policy work (led by ITD) as well as its bilateral and regional programming. It has also organised a series of seminars in different regions to build understanding amongst DFID country staff of the contribution which trade (and TRCB projects) can make to meeting DFID's core goals of promoting sustainable development and reducing poverty.
78. It is difficult to capture the range of results of these studies. One factor is that there is no single inventory which is easily available (e.g. on DFID's website). Nor is there a communications or dissemination strategy which promotes their findings. This may reflect a certain tension between the findings of some of the studies, and particularly their policy recommendations, which DFID may not be willing to endorse if they contradict government policy. But promoting the findings of studies and their policy recommendations should not be considered endorsement; rather such dissemination should be part of an effective TRCB strategy in the UK as much as in developing

countries (as discussed below).¹⁸ Researchers should be encouraged to make their findings available through their institutional website. Some already do so – e.g. OPM and ODI. But this does not seem to be a consistent practice or requirement of DFID funding.

79. One indicator of the impact of this DFID-funded trade research is the way in which it has influenced UK government official trade policy statements. For instance, the July 2004 DTI White Paper on Trade and Investment, *Making Globalisation a Force for Good* has a section (Part 3) on the Role of Trade and Investment in Global Poverty Reduction, and makes several other references throughout the text to trade and development issues, which likely reflect inputs from DFID. It highlights the responsibility of developed countries to address the negative effects of measures such as escalating tariffs and agricultural subsidies, and to provide assistance for developing countries to deal with product standards, etc. More generally, while advocating for trade liberalisation as a strategy for economic growth, the White Paper recognises the importance of carefully designing and sequencing trade reform measures, taking into account development and poverty reduction strategies. It also calls for additional resources to help countries address their capacity constraints and cope with transitional costs. Chapter 5 deals specifically with the need for TRCB and building a strong climate for investment.¹⁹ DTI has also agreed to work with DFID to achieve a joint target under MDG8 – namely significant reductions in EU and world trade barriers by 2008 leading to improved opportunities for developing countries, including an increase in EU imports from LDCs of at least \$6.5 billion by 2010 (i.e. roughly 50% above 2002 levels).²⁰

5.1 Studies

80. A large share of DFID TRCB in developing countries has been spent on studies, typically policy-oriented research. There is no inventory of these studies, let alone a website or other single source from which copies of the final report or key findings (in the case of otherwise confidential studies) can be obtained. Our evaluation found that studies fell into four broad categories in terms of TPR: trade and poverty linkages, negotiating interests (offensive and defensive), impact assessment of alternative negotiating options, and institutional needs, while in terms of TD, they focussed on enabling environment and more specific supply-side constraints.

¹⁸ In some of our country case-studies, we found trade policy analysts who had little knowledge of DFID-funded studies even though they were on relevant topics, and in some cases involved the same countries.

¹⁹ A background DTI Economics Paper No. 10, 'Liberalisation and Globalisation: Maximising the Benefits of International Trade and Investment' refers to a number of studies funded by DFID such as work by CUTS on investment, p. 32, and competition policy, p. 35, by Bannock et al on the enabling environment, the handbook by McCulloch et al on trade and poverty, and by ITD staff member, Prowse, on TRCB. Also, it lists DFID economists as having contributed substantial inputs, along with DEFRA and the FCO. DFID's Chief Economist was on a professional panel which reviewed the paper.

²⁰ DFID Technical Note to PSA 2005-08.

81. In some cases, the studies were targeted to meet specific needs and generally considered to have been policy relevant and used as appropriate. This appears to have been the case particularly in the Caribbean where the Caribbean Regional Negotiating Machinery (CRNM) responded to requests from its key stakeholders i.e. CARICOM member governments. There, the evaluators found that DFID funding had allowed for a number of technical, strategic and scoping studies. These were considered informative and timely, though not always as tailored to negotiators' needs in terms of analytical depth and relevance. (It was suggested that studies produced by consultants with trade negotiating experience tended to produce more relevant perspectives.) In many other cases there were several problems which meant that the studies made little contribution. The problems included: delays so that they were too late for the negotiating or planning purpose for which they were intended; poor quality which reflected the lack of expertise of their authors and/or limited funding; and little relevance to national needs.
82. Some of the dissatisfaction with the studies under the ATPP reflected a sense that their TORs were dictated by the overall framework, with national project steering committees having little discretion. This contrasts with the much more flexible approach (including a draw-down facility for technical advice) in the CRNM. At the other extreme, in Ukraine, the small grants available to university researchers were not linked to any requirement that they relate to the policy process which appeared to reduce their usefulness. Some broad parameters may therefore be needed to ensure some impact as well as accountability; governments and other stakeholders should be given the flexibility to identify studies that are really going to contribute to their national knowledge and capacity to act on trade issues.
83. A challenge has been to ensure that studies lead to results – whether in terms of trade policies, negotiations, implementation, or the resolution of supply-side constraints and the realisation of expanded market opportunities. There have been some successes. In Malawi, a series of value-chain studies under the Private Sector Partnership project was used to animate discussions between sectoral interest groups and the government. These were subsequently addressed in the National Action Group, some of the findings and recommendations were included in the Malawi Economic Growth Strategy, and in one case at least (cotton) may have inspired a follow-up project funded under DFID's Business Linkages Challenge Fund. In the Caribbean, the report on impediments facing the realisation of the Caribbean Single Market and Economy (CSME) was found to have been a timely intervention and an important contribution to the CSME process, including identifying areas for possible future donor support. In Bangladesh, the SouthAsia Enterprise Development Facility (SEDF) which is co-funded by DFID, facilitated a study on non-tariff barriers to trade between Bangladesh and Northeast India. The Chambers of Commerce on both sides of the border were actively involved and produced a synthesis with recommendations to improve trade volumes on both sides. According to the Bangladesh case-study, this was a productive process, ensuring stakeholder ownership from the initial stages, and resulted in the formation of a high level inter-governmental

committee to address the barriers identified, and the Northeast Indian-Bangladeshi Chamber of Commerce, which has already begun to implement an action plan.

84. The impact of some other studies has been limited by weak or absent dissemination strategies. At the very least, each study should be accompanied by a policy brief (summarising the key findings and recommendations) and workshops with relevant stakeholders to present the results and discuss follow-up actions. Governments and other stakeholders may need persuasion to use research findings to inform their policy choices – a tradition of evidence-based policy making is not common in many countries. The production of policy briefs was a requirement of the CRNM. But the ATPP paid little attention to dissemination.²¹ This meant that some of the studies have not realised their potential impact. For instance in both Kenya and Malawi the trade and poverty studies were not circulated and there was no discussion of their findings on how to link trade to poverty reduction, and whether particular steps are needed to mitigate the impact of trade liberalisation on poor people. The study on the impact of codes of conduct for cut flowers in Kenya is another example of missed opportunity. The study was circulated to some stakeholders but there was little follow-up activity to increase the probability of it having an impact. There are other models of dissemination to consider. For instance in Kenya, the EU-funded KEPLOTRADE project produces a quarterly newsletter on the research and other activities it involves. In Ukraine, under the TPCB, a website was created and a monthly newsletter published on WTO and trade issues. An electronic newsletter on the activities and results under the ATPP would have helped to disseminate its achievements and to strengthen the linkages between the different country and subregional programmes – in effect to build regional trade knowledge networks.

Box 2: Supporting research to influence trade negotiations and discussions

Recent DFID-supported projects highlight how research can influence trade negotiations and discussion at the multilateral level.

The UK Commission on Intellectual Property Rights (IPR) is an example of how research-based projects can be effective tools to further DFID's objectives in the trade area. The Commission was established at the initiative of DFID in 2001 to study how to ensure that IPR global regimes as they are developed in trade agreements and other international fora benefit developing countries. The independent commission was constituted of six commissioners and a secretariat, linked to ITD. They commissioned studies, held workshops, dialogues and conferences, to provide input into the final report which was published at the end of 2002. The work and the recommendations of the Commission²² received a lot of attention at the international level; it

²¹ Similarly, the PCR on the Pakistan Trade Policy project, which found it had produced high quality and very technical studies, recommended the production of shorter briefing notes in order to ensure greater use of their findings. An innovation in the same project was a small grants facility which funded activities related to outreach and building the capacity of NGOs on trade-related activities.

²² *Integrating Intellectual Property Rights and Development Policy*, Report of the Commission on Intellectual Property Rights, London, September 2002.

stimulated a renewed discussion on the benefits and the costs of IPR. It was seen as a model for the others: the WHO has established a Commission on neglected diseases, following the successes of the IPR Commission.

The Trade Policy Development Programme (TPDP) financed by ITD since 1999 is a different model of research-based trade project. The programme supports trade research and capacity building by the World Bank on key issues such as trade in agriculture, services, and standards, in order to ensure that trade negotiations benefit developing countries. This research has had an impact on trade negotiations, especially in agriculture. A progress report in October 2003 noted that outputs from the agriculture component of the programme shaped the World Bank positions on the Doha Round and increased its effectiveness in advocating these positions. The work on the agricultural subsidies in OECD countries had an especially strong impact on the trade and agriculture discussions. The agricultural component shows how research-based projects can contribute positively, by providing empirical evidence regarding the nature of pro-development trade policies which can be used in advocacy and trade negotiations. With strong linkages to the current debates and trade negotiations, this project avoided the pitfall of research which does not feed into actual policy changes. The TPDP has been renewed by ITD, for another three years (until 2006).

5.2 Linkages with universities and think-tanks

85. Many of the TPR project documents refer to the weakness of academic institutions in undertaking trade analyses and to engage with the trade policy making process. In some of the projects we examined there were deliberate attempts to work with nationally or regionally based university researchers (as in the CRNM). In the Ukraine Trade Policy Capacity Building Project, one of the four components involved CB in two universities, through the development of a trade policy curriculum module for use in graduate and undergraduate courses, and ten small research grants. While the module was used for teaching, there were no funds available to train the teachers in their use or otherwise develop their own limited trade-related capacities. The second phase of the project chose to end this linkage with the universities even though their trade-related research and training capacities remained weak.
86. In Kenya and Malawi many interviewees considered that the universities should be more involved in trade capacity building to ensure a steady flow of qualified professionals, and to build a policy community on trade and development issues. Some proposed that an institution or a program be created or supported which would provide training to students, as well as executive education. The need to consolidate and disseminate the trade research already conducted in academia was also underlined.

87. In the case of the ATPP, there was no particular attention given to working with universities to build trade-related capacity. Some university researchers were hired to prepare a number of studies, but this was often on an individual basis. In Kenya, the KTRP manager was a researcher at the Kenya Institute for Public Policy Research and Analysis (KIPPRA). In neither case was an institutional linkage made, as would have been appropriate if the intention had been to develop a sustainable trade knowledge network. In order to strengthen some of these researchers' inputs to studies, they were 'twinned' with other, usually foreign, experts. Such a 'twinning' process, however, was rarely adequate to build capacity.
88. If universities and think-tanks are to contribute to more effective trade policymaking and practice, then a more deliberate strategy is needed – to provide them with resources, training and the opportunity to train others about international trade, its links with poverty reduction, and TRCB. DFID projects might be able to tap into the existing trade policy research networks already being financed by the International Development Research Centre (IDRC) of Canada. These include the Southern African Trade Research Network (based out of the Botswana Institute for Development Policy Analysis or BIDPA), the newer East African Trade Network and the longer established Latin American Trade Network (LATN). Where national expertise is not available, then an expert in another country within the same region might be approached; this would be another way of building regional capacity.
89. Some lessons may be drawn from a study on Networks of Knowledge: collaborative innovation in international learning (Stein et al, 2001)²³. This underlined the importance of: interdisciplinarity, cross-community involvement (researchers, NGOs, private sector and government officials), flexible and long-term funding to support institutional (administrative and indirect) and not just project costs, and protocols to set out the roles of those involved in the network.
90. In our interviews, several people questioned the appropriateness of a private company being used to build longer-term capacity, as opposed to a non-profit organisation, like a university or think-tank, with a clear capacity-building mandate. The issue of financial incentives was also raised in the context of the OPR of the ATPP, with a question about the incentive structure and whether this had contributed to lower quality studies. It is possible that such issues can be addressed with more carefully and appropriately designed contracts, reinforced by programme monitoring, to ensure that the project implementing contractor has the incentive to take a longer-term capacity building approach to project implementation. In the Ukraine case study, the evaluators note that both profit-making consultancies and UK-based universities were involved as contractors, with no significant difference evident in their performance; they suggest this is an area that requires further

²³ They define knowledge networks as 'spatially diffuse structures, often aggregations of individuals and organisations, linked together by shared interest in and concern about a puzzling problem' p. 7.

enquiry.²⁴ Nonetheless, the approach in the second ‘wave’ of ATPP countries has been to use local, or regionally-based, think-tanks as the implementing organisations. They include BIDPA in Botswana, the Trade and Industrial Policy Secretariat (TIPS) in South Africa, and the Development Policy Research Unit (DPRU at the University of Cape Town, South Africa) in Lesotho. As such organisations often have institutional weaknesses, support from the management contractor may be needed to help them develop their capacity not only to implement the trade and poverty programmes but also to act as centres for trade-related knowledge in their respective countries, linking to governments, universities, the private sector and NGOs. It will be important to monitor and evaluate the results of this different approach.

5.3 Workshops and courses

91. Workshops have been used as a key tool for sharing the results of studies, discussing their recommendations and developing follow-up action plans. They have also been used to share information about WTO or other trade rules, proposed changes, and their possible implications for national interest groups. Feedback on their impact has been mixed. With a large number of workshops ongoing, participants sometimes find it hard to recall a particular DFID-funded workshop. The location of workshops can exclude some participants – e.g. in Kenya, it was suggested that workshops on agricultural trade issues should have been held outside Nairobi, to enable greater engagement with rural producers. Others, however, in Malawi, were particularly appreciative of their participation in some of the workshops on WTO and other trade issues, as this had enabled them to play a more informed role in the trade policy national working group, or facilitated their subsequent inclusion on the national delegation to Cancun and in the preparations for the EPA negotiations with the EU. A regional workshop bringing together NGOs from the three countries with active TPPs to discuss the role of civil society organisations in trade policy making was also considered useful.
92. There are many ways in which the impact of workshops could be strengthened: ensuring participation by relevant people, encouraging feedback/sharing of lessons learned with others in their institutions, improving the quality of inputs (teaching materials/reports) and the facilitation. Collaborative workshops, i.e. at which the findings from other TRCB studies are also presented, would reduce the time which some officials spend out of their offices.
93. Some officials have expressed the need for more formal courses on different trade related subjects, leading to diplomas. In Bangladesh, DFID intends to co-finance the creation of the Bangladesh Foreign Trade Institute, the first such organisation devoted entirely to trade, which aims to develop training courses for government officials and export-oriented businesses, as well as do research and may eventually offer post-graduate

²⁴ The Pakistan Trade Policy project PCR also notes successful performance by the private sector management contractor.

degrees. DFID already contributes funds to a wide range of courses offered by the WTO and UNCTAD, under their own programmes as well as through the Joint Integrated Technical Assistance Programme (JITAP). These are considered generally useful. A particular innovation in recent years has been the running of some WTO courses out of universities based in different regions – such as the University of Nairobi and the University of the West Indies. These offer the opportunity for the integrating and further developing regional expertise and case-studies, including the results of DFID-funded research, which may make the courses more relevant. They should also develop regional networking. (Such possibilities could be addressed in the proposed independent evaluation of WTO TRCB.)

5.4 Experiential learning

94. For some interviewees, a particularly important approach to building trade-related knowledge has been to participate in the trade negotiating process itself. We have already mentioned the positive feedback from those who participated on the Malawi delegation to Cancun. This was considered an effective learning process particularly as the delegation was accompanied by a technical expert, who could explain certain negotiating issues and processes. DFID funds have also allowed for countries to send delegates to regional and WTO negotiating meetings. Besides a representational role, participation in such meetings can contribute to learning and capacity building.
95. This approach has been applied in at least two of the UNCTAD projects which DFID supports, namely WTO Accession and support for LDC delegates to major international meetings on trade. In many respects actual participation in working party meetings or in other WTO negotiating sessions is a particularly useful way to build capacity on trade. Trade is unique in this respect, compared to an area like health or education. The development of the WTO as an effective multilateral organisation for managing world trade depends on the capacity of developing countries to actively participate in its deliberations. This is why so many TRCB projects are targeted on Geneva-based missions, to build their capacity to engage in the WTO. Developing countries, mostly LDCs, without representation in Geneva, are doubly disadvantaged. This is why funding to participate in WTO meetings for some countries is a very important component of TRCB. Building mechanisms for capacity development around negotiating processes can be a very effective modality.
96. Two other forms of experiential learning are the study tour and internships. DFID-funded trade-related study tours have involved taking officials and other stakeholders to observe how trade issues are handled by other countries – from trade policy-making in capitals to links with Geneva missions – and how trade negotiations operate in Geneva. These were found to have been particularly successful in Ukraine. With respect to internships, the only TRCB project in this evaluation which offered formal internships was the CRNM, which allowed a small number of recent graduates to work within the CRNM under a professional trainee programme. Another trade-related young professional programme

supported by DFID both directly and through the Commonwealth Secretariat is the ODI Fellowship scheme (see Box 3).

Box 3: Young professional programmes

97. One way to build capacity for trade is through young professional programmes in trade and other related ministries, which may contribute both to the individuals involved and the institutions in which they are based. The *ODI Fellowship scheme*, operated by the UK's Overseas Development Institute since 1963, sends young postgraduate economists of all nationalities to work for two years in the public sectors of developing countries in Africa, the Caribbean and the Pacific. In 2004, there were 67 Fellows working for some 20 developing country governments and three regional bodies, which shared the costs with DFID, the Commonwealth Secretariat and AusAID. The scheme was awarded the DTI Award for Capacity Building in the Commonwealth in 2002, for its contribution to strengthening others' ability to participate in international trade. Examples include: work on rice trade in the Guyana Ministry of Agriculture, mainstreaming trade into the PRS in Tanzania and analysis for the Caribbean Regional Negotiating Machinery. In 2004 seventeen Fellows worked in trade and industry ministries, including those in the *ODI-Commonwealth Fellowship scheme* established in 2002. This places postgraduate trade/international economists from Commonwealth countries in trade posts in the Pacific (Fiji, Papua New Guinea, Tonga, Vanuatu) and Africa (Malawi, Mozambique and Zambia) to work on issues of WTO accession, other WTO issues and the new economic partnership agreements with the EU.

5.5 Institutional strengthening

98. A number of DFID's TRCB projects have involved support to institutions involved in different aspects of the trade spectrum – from TPR to TD. A key focus has been on the key agencies of trade policy making and implementation, in government or intergovernmental groupings (as in the Caribbean). We suggest that a comparative study be undertaken of the emerging role of trade ministries, which would provide guidelines for the types of capacities required within ministries and new interactive mechanisms within government (see Box 4).

Box 4: Study on the emerging roles of ministries of trade

99. DFID could consider organising a high level seminar/workshop, based on a comparative study, on the Emerging Roles of Ministries of Trade. As we found in our case-studies, trade ministries play a pivotal role in ensuring that countries benefit from trade – in ensuring that trade policies are coherent with national interests and similarly that national policies and practices are consistent with national obligations under trade agreements. They are involved in many different aspects of trade policy – analysis, negotiation, and implementation. In each of these areas, they need the capacity to link to other parts and

other levels of government as well as various groups outside government – from the private sector to think-tanks and universities, and NGOs. The scope of trade ministries' work, and the range of groups with which they now must work to be effective, has broadened considerably as the trade agenda has expanded beyond tariffs and border issues to include issues of domestic regulation such as enforcement of intellectual property rights.

100. In the course of the ATPP and a number of other DFID TRCB projects (e.g. in Pakistan), institutional needs assessments were undertaken, focusing on the trade ministries. Similar issues were addressed in some of the IF Diagnostic Studies, while the WTO typically includes a description of trade policy-making in its Trade Policy Reviews of member countries. This material could be used as the basis for a comparison of the ways in which trade ministries are organised and the challenges they face.

101. Among the agencies and issues on which many trade ministries now need to engage are:

- Finance ministries on integrating trade into PRSPs, ensuring adequate resources for trade ministries in the budget, and managing funding for TRCB projects
- Foreign affairs ministries over the negotiation of trade agreements (whether bilateral, regional or multilateral) in which foreign affairs officials typically take the lead
- Line ministries (notably agriculture and industry) with substantive knowledge of sectoral interests, and with others (transport, customs/revenue) involved in trade facilitation, or still others (such as ministries responsible for the status of women) with particular perspectives on the distributional aspects of trade
- Other levels of government, such as local government, on issues such as cross-border trade, or state/provincial governments, on distributional aspects
- Universities and think-tanks which might be able to contribute to the analysis of national trade interests as well as to prepare students for work on trade issues in the government
- Private sector organisations and civil society on their interests and understanding of the issues being negotiated and of the changes in trade policies being implemented
- Parliamentarians on the issues underlying the trade-related legislation which they must approve (and the justice ministry in its drafting)
- Donors on managing and coordinating a large number of TRCB projects.

102. DFID has also targeted institutions bridging the public and private sectors. For instance, in Malawi, the MTPP provided funds to Business Consult Africa, a non-profit organisation, to act as secretariat for the Trade Policy National Working Group. Funds and staff time were also given to support the National Action Group, which brings together public and private sector groups to talk about economic growth and competitiveness issues. In Kenya, DFID's 'Umbrella Project' on an enabling environment for business involved the creation of the Kenya Private Sector Alliance (KEPSA), which was intended to help the previously fragmented sectoral associations be more effective in their advocacy efforts, and to act as an interlocutor with government. KEPSA has also organised some workshops on trade for its members. In Bangladesh,

DFID has supported the creation of the BFTI and under the SEDF facilitated the formation of a cross-border chamber of commerce to deal with cross-border trade with Northeast India.

103. This support reflects an understanding of the key role that institutions play in expanding developing countries' capacity to trade. Whether the support is successful and sustainable depends on several factors including the national political context. In the case of KEPSA, for instance, there are questions about its capacity to bridge divisions amongst its membership and the willingness of its members to pay the fees which will be needed to cover its costs once DFID and other donor funding ends. Another issue that may arise is the need for some rationalisation and consolidation of the various bodies now addressing trade-related issues.

5.6 Comparative advantage

104. Comparative advantage (CA) varies over time, countries and circumstances. While some observations are made here, the focus of this evaluation was on UK-funded projects or programmes in four countries and one region; an in-depth analysis of different agencies' CA could form part of the country-level evaluation of all TRCB being considered by the OECD. Broadly it can be said that an agency like UNCTAD, has a CA in assisting the development of capacities needed for negotiating processes in the WTO and regional arrangements. This advantage is boosted by its trade analysis and technical advice being acceptable to most developing countries. Similarly UNIDO, ITC and the World Bank have advantages in selected fields (trade facilitation, trade development and trade analysis). These are not static, as illustrated by the World Bank Institute which in recent years has developed a range of training activities and analytical tools for developing country trade negotiators.²⁵

105. For their part, many bilateral donors have concentrated in certain areas either due to their national interests or their CA; for instance, USAID has focussed on private sector development, Norway and Sweden on some areas of trade facilitation (standards) and so on. The UK has specialized in business support services/ institutions and trade finance in TD, while trade mainstreaming and trade facilitation have dominated its TPR programming. In total these four types of programming accounted for 81% of its TRCB in 2001-03 according to the WTO/OECD database. DFID has sought to bring a poverty focus to much of its trade-related work – supporting analysis of the links between trade policy options and poverty reduction, engaging CSOs which work with the poor in the process of trade policy decision-making and negotiations, and directing trade development efforts towards poor producers. Further efforts are needed to mainstream this approach, as discussed above in Section 4.

²⁵ See Working Paper no. 2.

106. Another way of determining the UK's comparative advantage in TRCB would be to assess the technical and intellectual capital in the UK – in public and private sector institutions as well as NGOs, which can be of service to TPR and TD in developing countries. In areas such as intellectual property, the UK might be in a position to offer technical services and capacity building, and similarly in areas such as standards. Multilateral agencies are tapping into these sources of expertise in the UK in their projects, but not to the full extent that is possible and even desired by some recipient countries. DFID's bilateral projects in some of these areas could work closely with some of the multilateral projects.
107. Multilaterals, especially UN bodies, have CA in inter-country programmes and projects. Some such as the World Bank and UNCTAD also have a CA in general trade policy development at the country level, in the context of PRS and DBS. The IF could be used to allocate TRCB between different agencies (bilateral, multilateral and regional) according to their different CA. To exploit fully the CA of multilaterals, DFID should explore feasible linkages with multilateral activities at the country level, as in the case of the IF. These can also be linked to DFID-funded activities of the WTO, UNCTAD and ITC in Geneva, UNIDO in Vienna, and the World Bank in Washington.
108. A brief word about regional and sub-regional organisations is appropriate. Typically many of these organisations themselves still need capacity-building – and several have been involved in DFID programmes (such as the COMESA and SADCC Secretariats in the regional trade facilitation programme in Southern Africa). Nonetheless, at the same time, some are also playing a role in delivering TRCB in partnership with multilateral agencies amongst others, as in the case of the African Union and the ECA.
109. Questions about CA in TRCB are being raised in the face of increasing human resource constraints within DFID – DFID faces cuts in personnel, as does the rest of the UK government, even while its aid spending is projected to grow. Ideally in newer areas such as TRCB where spending is increasing rapidly, there would be fewer such cuts. If they are unavoidable, they could be accommodated by narrowing the scope of the bilateral portfolio while increasing the average size of bilateral programmes (and subcontracting more project oversight to external agencies). A second option would be to increase the share of TRCB allocated via DBS, co-funded with other donors, and/or delivered via regional or multilateral agencies. In fact all these strategies are being pursued – though as mentioned earlier, the integration of TRCB into DBS remains undeveloped.
110. DFID continues to have a critical role to play in the trade area and particularly in the design and delivery of TRCB. Its bilateral programming can inform its Whitehall trade policy work. It can also be used as a way of testing out ideas which are then transposed to regional or multilateral agencies – as in the case of its support of work on trade and poverty linkages. Oversight of bilateral projects helps to develop the technical competencies needed to engage with and oversee the disbursement of DFID funding of TRCB by regional and multilateral organisations. Even with untying, bilateral

programmes may also be an efficient way to facilitate the involvement of UK-based institutions in TRCB at the request of recipient governments or other partners in developing countries.

Section 6. Management issues (design, management, implementation, and M&E)

111. What lessons regarding management of TRCB projects or programmes can be learned from the case studies conducted during the course of this evaluation? This section highlights some of the key points regarding the design, management arrangements, implementation and monitoring.

6.1 Project Design

112. In most developing countries, especially the poorer ones, there are large unmet needs for TRCB. With the changes that have come about in multilateral and regional trading systems and in patterns of global trade, developing countries are confronted with the enormous task of building their capacities to address an ever-increasing number of trade issues, only some of which are linked to negotiations. The Doha Declaration placed particular emphasis on the negotiating process and therefore on meeting the needs of capacity building in relation to those negotiations. There are other important needs for most developing countries outside of the negotiating process, especially those concerned with trade development. In general, the designers of trade policy programmes, especially those relating directly to WTO issues, have a tendency to overly emphasise capacity building for negotiations. The Integrated Framework has undertaken wide-ranging needs assessments in several countries. These could be useful for future use.

113. DFID TRCB projects are usually designed in close consultations with trade ministries in recipient countries. Indeed, capacity building in trade ministries has been considered a priority. In addition, one of DFID's areas of comparative advantage in TRCB, as perceived by many stakeholders, is its willingness to go beyond capacity building for government officials and ensure that the private sector and other parts of civil society are recipients of its support. Therefore, DFID should ensure that some of these actors are also consulted during the design of TRCB projects. Another lesson learned from the case studies is that, in some cases, the DFID country offices have not been sufficiently involved in the needs assessment and design of TRCB. The Africa Trade and Poverty Programme is one example of such a programme which would have benefited from closer collaboration with country offices.

114. One key issue in the design of the TRCB projects which we reviewed was the extent of built-in flexibility. Some case studies like the Caribbean study highlighted it as an important strength of DFID's TRCB. Its flexible approach with respect to the use of its funds facilitated and supported activities that are normally not able to be supported by other donors with more rigid structures. Recipients of the Business Partnership Programme in Kenya also stressed the flexibility built into this project, which made it more able to respond to changing circumstances. This was seen as especially important for private sector actors who have to adapt to changing business environments. The built-

in flexibility in the design of the project was complemented by what several stakeholders perceived as DFID's flexibility in giving recipients the space to determine for themselves the most appropriate trade policy options.

115. On the other hand, some other DFID TRCB projects have built into them relatively tight programmes of activities. In these cases, there is a sense that projects are not adequately flexible in allowing for adjustment or amendment from time to time, to take account of changing circumstances, which invariably takes place in a project lasting three to four years. The lack of flexibility was one of the problems in the design of the African Trade and Poverty Programme. As it was designed as a regional programme for Africa, it appeared to leave little margin for adaptation to national realities.
116. The case studies also identify lessons on good practice regarding donor collaboration in the design of TRCB. Projects such as the SEDF in Bangladesh or the Caribbean Regional Negotiating Machinery highlight the importance of multi-donor coordination. Such collaboration allowed for much larger and long-term TRCB projects with potentially bigger impacts.
117. Another design issue is that of resource allocation within the project. With many components in a project, the basis on which resources are allocated to each of the task groups is not always clearly established. There is at times the impression that activities are included in order to make the project appear comprehensive and broad-based, although such activities may only be allocated marginal resources (for example, the university component in the Ukraine WTO project).
118. The design of a project and the nature of activities included therein have important implications for the selection of contractors to implement them. When a project is narrowly focused (say, on WTO negotiating issues), there are advantages in employing contractors with access to Geneva. When a project is broadly-based and includes activities such as building capacities in the private sector or in civil society organisations, or developing trade knowledge networks, other types of contractors might have the edge. To an extent, in the DFID portfolio this aspect has been addressed through the primary contractor hiring the services of either local subcontractors or foreign subcontractors with the relevant expertise (for example, IDS Sussex and the Chambers of Commerce in the Ukraine projects).
119. One final issue to be raised is the integration of TRCB programming into the rest of DFID work. The question therefore is whether DFID should encourage the mainstreaming of trade into other technical assistance and capacity building programmes. For instance, agricultural trade issues might in some circumstances be better addressed through regional development, or rural livelihoods programmes. As a first step, DFID in each country could examine its own portfolio and identify the opportunities for incorporating TRCB elements into appropriate projects. This issue is especially relevant

for trade development projects which are often part of existing private sector development programming.

6.2 Management

120. In recent years DFID has changed its management style for its project/programme portfolio, including its TRCB projects. The most pronounced change has been to decentralise project management from DFID UK to country offices, as in Ukraine. In Malawi, some of the trade projects were previously managed out of the Zimbabwe office. These changes were facilitated by the availability in country offices of specialists able to oversee projects (typically economists, trade advisers or private sector advisers). Some regional programmes have been managed out of regional departments in London (as in the case of the ATPP), while others have been the responsibility of specialists in regional offices (for example South Africa in the case of the Southern Africa Regional Trade Facilitation project and Barbados for the Caribbean Regional Negotiating Machinery). In London, the Policy Division has overseen a number of multi-country projects (e.g. the Business Linkages Challenge Fund), and ITD has been responsible for several projects implemented by multilateral agencies like the Commonwealth Secretariat, UNCTAD and ITC. Headquarters staff have also managed many trade-related studies carried out in the UK and elsewhere.

121. Where management responsibilities have moved from London to country offices there has been a change in the relationship with implementing agencies. Formerly, DFID headquarters officials, as to be expected, had an arms-length relationship with implementing agencies. There is now a more hands-on relationship with the field-based staff. We received positive feedback regarding this management structure – in fact in cases such as the ATPP which was centrally managed, there was a sense of frustration by national governments that the DFID country office was not in charge. But such decentralisation demands some understanding of trade (and TRCB) issues by DFID country officials. Also guidelines may be needed to address a concern about micro-management of projects by DFID officials. DFID officials have to ensure that implementing agencies take responsibility and accountability for the decisions they make.

122. This decentralised nature of DFID and therefore of the management of TRCB projects, may be a way to limit the impact of the rapid turnover of staff involved in trade issues in DFID headquarters, especially in ITD. This turnover leads to a problem of weak institutional memory and makes more difficult a “learning-by-doing” approach for the London trade team. Even in country offices, during the lifetime of a project, there have been several DFID personnel involved at one time or another; this can weaken the management structure supporting a project. This problem may not be unique to TRCB but can limit the effectiveness of these projects. ITD has been very active at improving its communications and sharing of experiences with country officers involved in TRCB. If successful, such efforts can create a critical mass, a network of expertise which TRCB

programming can greatly benefit from, as the departure of one officer does not lead to institutional amnesia.

123. DFID has also made use of UK-based advisers to design and monitor many TRCB projects. These advisers are not DFID officials, but are outsiders with a long-term contractual arrangement with DFID to undertake agreed activities on an intermittent basis. In many countries they have been the mainstay for DFID to design and in some cases manage its TRCB portfolio. They have been of high quality and have undertaken their tasks highly satisfactorily. These advisers have been, in a way, the most enduring element, thus providing the institutional memory of past project experience.

6.3 Implementation issues

124. The selection of the implementing agency holds the key to a successful process of project implementation. Broadly, there are two types of implementing agencies involved in the DFID TRCB portfolio. First are management consultancy firms, which are profit-making or private organisations. Most projects are implemented by this kind of institution. They are largely UK-based consultancy firms. Second are non-profit-making organisations, such as universities (University of Birmingham and University of Durham are implementing two projects in the Ukraine) or think-tanks. Selection of contractors is made by DFID personnel. Overall, there is general satisfaction with both types of contractors, though some interviewees suggested it may be more effective and appropriate sometimes to use nationally or regionally-based think-tanks, as in the new wave of ATPP countries. There is no way, on the basis of current evidence, to make any judgement about the superiority of the profit-making consultancy firm over the non-profit-making institution or vice versa. Some companies have had a successful record with TRCB projects in some countries but have performed poorly in others. This is an important aspect, which needs to be analysed in more detail. (In Canada, CIDA actively encourages non-profit organisations such as universities to be the implementing agencies for their TRCB projects, though even here they often join forces with management consultancies.)

125. ITD has developed a short-list of 13 consulting firms with which it has signed framework agreements for the 2003-2005 period, i.e. setting out a range of areas in which it might seek their services. As under a previous series of two year agreements (2001-2003), the majority of firms are based in the UK. Some have on their lists trade analysts based in universities or think-tanks, mostly based in the UK or other developed countries; inclusion of developing country analysts is exceptional. The objective was to facilitate and accelerate the selection of management or implementing agencies for TRCB projects. Feedback suggests that the potential of such framework agreements remains underutilised. Besides the advisers already mentioned, some use has been made of the firms with enabling agreements, particularly by ITD; but other parts of DFID and even some ITD staff have tended to choose other consulting firms for trade-related projects.

126. The most important task of the implementing agency is to provide the technical expertise to implement project activities. Few of these consultancy firms, as can be expected, have all the necessary expertise in-house. Even when UNCTAD is implementing a DFID project, although it has in-house technical expertise, extensive use of outside experts is the norm. Care is needed to avoid problems with the supply of such expertise. Contracting companies have their own networks, mostly of foreign expertise, which they use. The quality of such foreign experts has generally found to be satisfactory, although there have been a few problems with timeliness of their availability and their ability to work with national counterparts. Compared to regionally based organisations and UNCTAD, UK-based implementing agencies tend to have less well-developed networks of national and/or regional expertise and this has led to some problems. One challenge has been how to work with national or regional subcontractors to ensure they are able to deliver high quality, relevant and timely reports or training. An important issue in this regard is the screening of outputs by experts – both foreign and national -- for quality, particularly when they relate to studies and research. This is done by the contracting firm itself and there is hardly any external evaluation. In many cases DFID management has not been concerned with this issue.
127. Most expatriate technical expertise has been provided through relatively short-term visits of experts. In many projects, these experts, although on short-term intermittent visits, have undertaken them on a continuing basis over a period of several years. Most institutions have expressed satisfaction with the quality of these consultants and have been favourably inclined to an individual expert's continuing involvement (as has been the experience in Ukraine and Ghana). Ensuring such continuity is an important aspect of building confidence and trust on the part of the host country. An important question that arises in this context is whether a long-term resident expert is to be preferred to an intermittent visiting expert. Other donors – and even DFID – have made use of such long-term experts in projects and there is no evidence to judge the superiority of one or the other. A resident long-term expert can be valuable and influential in certain circumstances.
128. The primary implementing agency has, in most instances, utilised the services of subcontractors. In most instances, these subcontractors are individuals or national institutions in the country concerned. In exceptional circumstances, there are also subcontracting arrangements with institutions based in the UK. The use of national experts with good knowledge of the national political and economic context is often preferred by recipients. For instance, the recipients of trade policy training in Kenya under the Kenya Trade and Poverty Programme were satisfied with the quality of the materials on WTO agreements that were delivered to them in workshops.
129. The use of national consultants also contributes to building capacity at the national level, which can later become available for other capacity building work at the regional level. Contrary to some of the stereotypes about TRCB where foreign consultants fly in and out from Geneva, DFID TRCB is for the most part delivered by local resource

people. This cannot always be done, as it depends on the availability of local expertise on a given topic. However, we should note that the selection of an implementing agency with a local representative who knows well the existing national capacity avoids a situation where local experts are ignored or under-utilised.

130. An issue that has arisen is the level of payment made to national subcontractors and experts. Ensuring value for money invested in the TRCB portfolio of projects is a key consideration of any evaluation. Cost-effectiveness should be an important part of management responsibilities. The current evaluation has not had access to relevant and appropriate information on the costs of various transactions. It has had little information on the level of payments made to implementing agencies, their overheads, amounts paid to foreign and national experts and the cost of specific activities undertaken in projects. There have been some complaints from various parties that costs have been excessive for one activity or another. The evaluators have no information to make any judgement. What needs to be stressed is that the entire question of the cost-effectiveness of projects should be the subject of a separate evaluation, which will have access to all the relevant financial information that is required for this purpose.

131. Finally, we have noted in our case studies the importance of the private sector involvement for the successful implementation of TRCB, particularly trade development projects. The success of the initiatives undertaken under the SEDF to strengthen the trade linkages between Bangladesh and Northeast India illustrates the importance of a strong involvement from the private sector. In TRCB like all development assistance, recipient ownership is key to successful project implementation.

6.4 Monitoring and Evaluation

132. Monitoring and evaluation (M&E) of the TRCB portfolio is undertaken in several ways. The Quarterly Progress Report (QPR) is the key instrument for management monitoring of project progress and the state of activities undertaken by the implementing agency. The structure of these reports has been recently streamlined. There have been some weaknesses in the way these reports are prepared and followed-up. Instead of nuanced and qualified presentations of the outcomes of activities, there has been a tendency to make inflated claims of TA outcomes. It is important that there be more consultation between DFID management and the implementing agency on the basis of these QPRs. The QPR should also be a primary document for the attention of the Project Steering Committee, which has an important role to play in monitoring and one that should be emphasised.

133. Another modality, of less frequency, is the Output to Purpose Review (OPR), which in principle is required to be undertaken for projects or programmes over one million pounds and with a duration of over two years. One of the problems in M&E has been that project advisers who have been concerned with the design of the project also often undertake the OPR, which is largely a mid-term review. It is not reasonable to expect the

same person who designed the project to question such design on the basis of emerging experience. DFID could effect a change in the current practice, by bringing in an outsider for the OPR, rather than engaging the same adviser who designed the project for this activity.

134. One way to increase the frequency of OPRs would be to ensure they are undertaken when a project is continued into a second phase, which will take it over the one million pound limit; in effect this would appropriately allow for evaluation of the first phase. Such an OPR could be forward-looking and could include proposals for the design of the next phase.
135. The Project Completion Report (PCR) is expected to be prepared by the implementing agency three months after the completion of the project. These implementing agencies tend to lose interest in the project unless they are engaged on the successor project. These PCRs are prepared by the implementing agency, without consultation necessarily with DFID managers. They only react to the PCR once it has been completed, i.e. long after the project has been ended. Improvements in these practices might help to increase the value of these PCRs. It should be imperative for the implementing agency to prepare a PCR at least one month before the completion of the project, and to make it available to DFID and the host country, so that they can make their observations. The PCRs should also be carefully prepared, to identify clearly the outcomes that can be attributed to the project, instead of laying claims for outcomes which were not precisely due to project activities.
136. We should highlight an interesting example of good practice from the Caribbean case study regarding the monitoring of the Caribbean Regional Negotiating Machinery. Unlike other donor agencies, DFID has insisted on gathering stakeholders' views about management and performance of the project. Such stakeholder consultations were seen as an essential ingredient to ensure proper monitoring and evaluation, as well as ensuring relevance and impact.
137. A final issue to be raised is the quantifying of TRCB assessments and evaluations. Most DFID project documents have so-called 'Objectively Verifiable Indicators' (OVIs). The experience of many projects clearly indicates that they are nothing of the kind. Outcomes of projects cannot be measured against these broadly-defined OVIs. The contribution of a relatively modest TRCB project, of around £500,000, through which some expertise and training is provided, cannot be attributed with tangible outcomes such as significant changes in trade policy or in trade development. Many of these TRCB projects work alongside other donor programmes and governments' own efforts to reform and change policies and practices. To isolate the contribution of a DFID project in the midst of all these activities is, to say the least, a dubious proposition. It is the practice of many technical assistance agencies (UNDP, OECD among others) to attempt to establish indicators with some degree of precision. We need to rethink this approach and accept the

fact that outcomes of TRCB projects cannot be so exactly measured. Many positive outcomes are intangible.

Section 7. Impacts of DFID TRCB projects -- Major findings and Conclusions

138. DFID has developed a reputation for being a leader in the TRCB field, in particular for bringing a poverty focus to trade issues. This reflects a multi-pronged approach, addressing developing countries' needs through a series of bilateral programmes, increasingly using a multi-country approach, that tackle constraints in both areas of trade policy and regulation (TPR) and trade development (TD). DFID has also been a strong supporter of multilateral projects, working on its own to encourage agencies such as UNCTAD and the World Bank to move in particular directions, and also funding their work jointly with other donors. It has sought to influence the substance of international trade policies and practices, both within Whitehall and the role which the UK government plays in the EU trade policymaking and in developing EU support for adjustment assistance in those countries adversely affected by these policies. Its support of a wide range of detailed, technical studies, handbooks, and deliberative processes such as the IPR Commission have sought to inform the broader debate in the UK and internationally about how to ensure that trade contributes to poverty reduction. Surprisingly these initiatives have occurred without a clear DFID-wide strategy and commitment to TRCB. However, DFID has begun to take a number of steps to develop its own capacity to understand trade issues and how TRCB projects can contribute to poverty reduction; in 2004, it developed a DFID-wide trade strategy.

139. In this section we consider what have been the results of these various initiatives, drawing in particular on our five case-studies. What evidence is there that DFID's support has built trade-related capacity and has led to poverty reduction? We have summarised our findings by previously-established indicators -- relevance, performance, success/impacts, sustainability and linkages to poverty, gender equality and regional issues.

7.1 Relevance

140. Projects with more flexibility, allowing the choice of particular studies and activities to be nationally-driven even if within broad parameters set out in the project document, have generally been perceived as more relevant than others – and stakeholders were usually more willing to be engaged, with greater impacts. This was the case with the CRNM and the Ukraine TPCBP both of which included call-down facilities for technical expertise on an as needed basis. It suggests project designs should pay more attention to the processes they are supporting rather than the actual studies or activities. This is all the more important with multi-country, regional programmes; the country-specific characteristics of poverty should be taken into account by allowing countries flexibility within certain agreed parameters.

141. Some projects included TRCB as only one component in a larger range of activities, and as a result not all were included in the WTO/OECD database. But we found that this was

sometimes an effective way to mainstream or ‘domesticate’ trade, i.e. to link trade to domestic agendas such as agricultural reform, sustainable livelihoods, regional development and poverty reduction. One such project in Ukraine was the rural livelihoods programme which involved a TRCB dimension, addressing WTO agricultural issues and the implications of WTO accession for Ukrainian farmers and rural development. This project offers insights into how to integrate WTO issues into the broader framework of rural development. It may be considered more broadly as a model for the future – reflecting the way in which many trade issues now involve areas previously considered the realm of domestic policy. (It may also be an effective way of gaining support for TRCB within DFID, by addressing some concerns, particularly of non-economists.)

142. Some of the project designs proved overambitious in terms of their purpose and outputs (and often in terms of their OVIs), given their timelines, the existing trade-related capacity, and broader national circumstances. In other respects they proved too narrow: for instance some failed to include universities, while others did not have dissemination/outreach strategies (as already mentioned in Section 5.)
143. Some of the multi-country projects such as ATPP experienced problems that were partly related to their modular design and partly to the way in which the design was interpreted by the implementing contractor. The logical sequence of activities did not occur as initial studies were delayed, and so they were not available to help identify subsequent studies/activities as intended. Instead in some countries the contractor followed the original proposed list of studies even though trade ministries had other needs. More generally a problem arose with the design originating centrally i.e. from London (APD) with limited input from the country offices let alone national governments and other stakeholders that were intended to be the primary beneficiaries.
144. In the Caribbean, the experience with the Jamaica Tourism Challenge Fund suggested that its design did not take adequate account of the particular problems facing smaller companies in that region. Smaller companies needed more support than was available to prepare proposals and also to find the matching funds required, but the design was not modified to take this into account, and the fund was closed after two years. In contrast, the Business Linkages Challenge Fund was somewhat more successful, both in the Caribbean and in Malawi, perhaps because it offered larger grants and targeted collaborative ventures, between domestic (and sometimes foreign) companies, that were large enough to access advice to prepare their proposals and to front the required matching funds.
145. In Malawi, while there was (and is) a need for support to export-oriented SMEs and for promoting fair trade, the design for the TEEM project was based on overly optimistic assumptions about the willingness of SMEs to pay for training in business development services, and on the fair trade market for the products marketed by DTL. Nor was

sufficient attention given to the developmental costs involved in training and quality control.

146. In Ukraine, the use of a benchmarking index as part of a project to develop SMEs awareness of competitiveness issues failed; had a needs assessment been undertaken before the project started, it might have been clear that local business were reluctant to share the information on which the index depended.
147. Governance structures in some projects were poorly designed and this contributed to serious performance problems. In the ATPP, for instance, there were at least four different agencies that appeared to be responsible, with more than one office involved in many cases – the nationally-based Project Steering Committee, the implementing contractor (national manager and UK-based head office manager), the management contractor (national office manager and head office in South Africa) and DFID (country office project officer, London ATPP project officer, and East Kilbride contracts officer). This complicated decision-making and reporting processes. In case of TEEM, in Malawi, the contract was with a UK-based organisation that had a nationally based manager; created two companies with separate Boards, but the Board of one was responsible for the debt of the other company. The project steering committee included representatives of both Boards, the contractor, and DFID. But it was not clear who had the responsibility to hire the companies' CEOs, or to close the companies in the case of their failure.
148. In several DFID country offices, trade projects have been overshadowed by other areas with which DFID has had a longer tradition such as health and education and which often appear more important at a country level. TPR and TD projects have rarely been effectively integrated within country assistance plans or strategy papers. Particular projects are associated with individual project officers and when they leave the project may well get sidelined by their replacement. Country economists increasingly have some familiarity with trade issues, and may be persuaded of the importance of TRCB, but they often feel isolated and face tremendous challenges in getting TRCB projects approved by their country manager. It is important that country project officers understand the relevance of trade to national economic development and the PRS, how trade policies and practice (and hence TRCB) can be critical to the achievement of the MDGs, and even the success of particular programmes in the social sector. Such country-level commitment is needed both to ensure more effective designing of projects as well as project monitoring (and evaluation) – areas where past weaknesses have undermined the impacts of TRCB projects. It also allows DFID to take advantage of the opportunities which TRCB projects may provide, namely to engage with the government on the trade policy process and to influence other donors planning TRCB projects.²⁶ The DFID-wide trade strategy, which

²⁶ In the absence of such DFID capacity, the Pakistan Trade Policy project PCR suggested one option may be for the project to include placing a technical person in the trade ministry, to address both technical trade policy issues and strategic relationship management. But experience with this approach in Ghana suggests that where this function is performed by a foreign technical adviser, a national counterpart would need to be closely involved if this capacity is to be sustained.

sets out the goals for such projects, whilst allowing for a degree of country flexibility, should help to build more sustained and mainstreamed DFID country-office commitment to TRCB.

149. In many of the project design documents there is reference to similar and potentially overlapping projects being undertaken by other donors or agencies. But there has been little attempt beyond this to build coordination into the design of DFID projects. In projects involving co-funding with other donors, or DFID-funded projects which are subcomponents of others' projects, some coordination is implicit. But even here there is scope for improvement – as shown in the case of the CRNM where DFID is actively supporting the development of a joint monitoring and evaluation framework, to reduce the administrative burden of having multiple donors. In some countries there are now nationally driven mechanisms to manage such coordination, as in the case of the IF in Malawi. With an increasing number of TRCB projects in many countries, it is critical for such mechanisms to be encouraged and used by DFID. Besides ensuring complementarity, coordination of some activities/processes might help to address the administrative burden and limited absorptive capacity of the trade ministry in many countries.

7.2 Performance

150. Many TRCB programmes and projects have performed quite well – examples include the Cluster Competitiveness Programme in Jamaica and the Caribbean Regional Negotiating Machinery, the BLCF/Cotton seeds improvement project in Malawi, the Ukraine Trade Policy Capacity Building project and the IFPRI-BIDS project in Bangladesh amongst others. These are considered further in the next section on Impacts.

151. There were several projects in the five case-studies, however, with poor performance. In some cases this stemmed from a poor design. In others it reflected difficulties between the management contractors and the national counterpart institutions.

152. Lack of transparency and participatory decision-making about the use of project funds has created serious tensions between project partners, typically between trade ministries and the DFID managing or implementing contractor. In four different country cases (all involving the same UK-based firm) such distrust and frustration led to the governments deciding to end the project. Other projects overcame this problem through the use of call-down funds.

153. In all four cases, there were other performance problems such as serious delays in implementing the project, which led to studies being produced that were no longer considered relevant. Timeliness is critical when reports or activities are intended to respond to trade negotiating agendas. As several reports note, flexibility is needed to allow projects to evolve in pace with the changing trade agenda. Some interviewees complained about the poor quality of studies and training programs, raising questions

about the design and management (including selection of researchers and trainers) of these components.

154. In several countries, project oversight has been weakened by the complicated governance structures as already mentioned. This has been exacerbated by high levels of staff turnover in DFID-London, as well as in country offices, which combined with poor recordkeeping has led to very weak institutional memory about the purpose and progress let alone outcomes of projects. In Ukraine, the WTO accession project had three DFID project officers in three years, and no one in the DFID country office knew of the tourism development project. Instead the consultant advisers in both cases were the main source of continuity.

7.3 Success/Impacts

155. Broadly speaking several DFID TPR projects are recognised to have contributed to developing countries' capacity in four key respects: building knowledge within government and outside about WTO and other trade issues, supporting a more integrated approach to trade policy making within government, building a more inclusive trade policy dialogue with those outside government (parliamentarians, private sector and NGOs) and strengthening the connections made between trade and poverty reduction in the discussion of trade policy and practice. In TD projects the contributions have helped to improve the enabling environment for trade, through simplifying regulations, business support services and institutions, and finance.

156. In the Ukraine TPCB, for instance, our evaluation found that the government had developed more 'joined-up' trade policy making as more ministries had become familiar with different aspects of the WTO, while the trade ministry had engaged more external stakeholders in their discussions about trade options. However, these outcomes resulted from several factors including other donor interventions, political changes, and the changing circumstances of the WTO negotiating process itself. But the contribution of the DFID project was recognised and led the government to request a new trade policy project to respond to new demands and circumstances, in particular to move beyond supporting the trade ministry over WTO accession to supporting other parts of government in the more technical aspects of WTO implementation, and to support the parliamentary committee responsible for monitoring WTO-consistent legislation.

157. In Bangladesh the IFPRI-BIDS project successfully completed its studies, training and other activities, as a result of which trade-related knowledge and analytical capacity was strengthened in BIDS, which itself is a key resource for policy research and training of others, and in some government ministries. And one person involved in the project is likely now to be involved in the new Bangladesh Foreign Trade Institute which DFID is co-funding. But the failure to actively involve government agencies such as the Bangladesh Tariff Commission or the Ministry of Commerce in developing the TORs

and reviewing drafts of the studies meant that their findings were not as integrated into the policy process as they might have been.

158. In the Caribbean DFID funding to the CRNM allowed several technical studies and briefing papers to be produced as planned. A process was developed allowing for discussions by technical working groups, regular workshops, reflection groups and consultations with broader stakeholders. While stakeholders were generally satisfied with these outcomes, and reported that the CRNM had been able to play an important and effective role in providing support for CARICOM trade negotiators, it was not clear that the project would be able to meet its goal, of improving the outcomes of the negotiations. This depended on many factors besides CRNM's inputs.
159. Some projects included trade only as one component of a broader approach. An example is the cross-border trade facilitation component in the SEDF, which helped traders in Bangladesh and Northeast India to assess the barriers to their business, and then to overcome them either by putting in place new institutions, such as customs posts or a product testing centre, or to lobby for the barriers to be removed.
160. In Ukraine, another cross-border project was also quite successful in helping businesses in the region bordering Poland to consider how to respond to changes following Poland's entry into the EU, although it was less able to stimulate action by the regional government. A particular feature was a small project facility which allowed cross-border communities to propose and implement a number of small-scale initiatives.
161. In Malawi, the cotton seeds improvement project was able with DFID funding to introduce a higher-yielding pre-treated seed to be used by most smallholder farmers. The first season led to a significant increase in outputs and incomes for the farmers as well as the ginners running the project. This project built on an earlier value-chain analysis and dialogue process between the public and private sectors, which identified some of the challenges in the cotton sector and how they might be addressed. In other cases there have been fewer synergies between projects, as a result of which their collective impact at a country level is less than if a more coordinated approach had been taken in project planning. An example in Kenya of how this might work would be to link a project on building national capacities to engage in WTO and regional discussions of SPS, which are important for many exporters, with another project to enhance the capacities of the private sector to meet such international standards.
162. In some cases the projects involved a number of much smaller interventions and impacts to date. This was the case in Kenya, for instance, with the Business Partnership Programme, which drew on the BLCF model. The three trade-related projects, which were funded, were all quite successful, though on a fairly small-scale. The bee-keeping project contributed to raising income in some 200 households in one poor region of Kenya. Similarly in Malawi, the social impact assessment of the TEEM project found that despite the much larger amounts involved relatively few people had benefited as yet,

either as craft or crop producers or as workers in SMEs receiving the training in business development services or as workers in the companies involved in social audits.

7.4 Sustainability

163. A key question in many projects is whether their contribution to TRCB is sustainable. We found that in many cases the trade-related capacities developed through DFID-funded projects such as the ATPP and the CRNM had created a good knowledge base and institutional framework for discussion of trade policy and negotiating issues. In a few cases funds have supported the development of institutions devoted to continuous research and learning about trade issues. But national funding in poorer countries is generally not available to maintain this capacity, which requires constant reinvestment, both in response to staff turnover, and particularly to the evolving nature of trade negotiations to new and more technical issues.²⁷ Further external funding will therefore be needed to support these processes, and other forms of continuous learning such as participation in negotiations, development of university courses etc.
164. In fact several other donors and multilateral agencies are now actively supporting TRCB. A measure of the success of some DFID projects has been that they have contributed to the design of other donors' projects. In Ukraine, for instance, several TACIS regional projects have taken over some of the work previously done by DFID. This helps to ensure a degree of sustainability.
165. Some DFID projects which were short-term one-off initiatives had a more limited and largely unsustainable impact. Sometimes opportunities were missed to make linkages between projects in the same area – such as the three projects involving horticulture in Kenya, which might have had a longer term impact if they had been more closely coordinated. Another approach is to consider multiple phases as in the case of the ATPP. Where multiple phases are not needed or feasible, there are other ways in which to build on projects both to maximise use of outputs and also to ensure that unfinished activities are taken up and completed. Such continuity can help to ensure that projects make lasting contributions to trade-related capacity. An example is the ESDLO project in the Ukraine which could have built on the earlier tourism project to upgrade the tourism centre.
166. Questions have been raised about the use of subsidies in TRCB projects and whether they make sustainable outcomes difficult to achieve, as well as creating sustainability issues for others. This has been an issue in projects involving direct support for both private and non-profit organisations. The evidence has been mixed. Some of the business partnership funds have been used well, and no further funding is needed as in the case of

²⁷ Some doubts were raised in the PCR for the Pakistan Trade Policy project about the sustainability of the trade policy dialogue networks in the absence of funding from other donors after DFID support is ended.

the beekeeping project in Kenya. But some initiatives like KEPSA will not continue without further donor funding, as members are not willing or able to cover its full costs.

167. In the case of the TEEM project in Malawi, the trading company was intended to break even and operate without any DFID subsidy within two years, partly to avoid suggestions of unfair competition with other crop and craft traders in the market. Yet this proved unfeasible as a result of several factors including the difficulty in covering the costs of the company's developmental services. In the case of the business development services component of the same project, the time needed to breakeven was projected to be considerably longer, in fact well beyond the project timeframe – the project plan recognised that it would be unsustainable in the absence of other donor funding. In the case of the cotton project, a challenge for managers has been how to phase out the subsidies on seeds in the absence of the financial infrastructure for farmers to manage their finances and pay for the higher seed costs. A smallholder cotton farmer association has found itself weakened by not being able to share in the distribution of the subsidised seeds.

7.5 Linkages to Poverty, Gender Equality and Regional Issues

168. As we have seen in Section 4, DFID has been a leader in supporting efforts to link trade to poverty reduction in research, policy analysis, dialogue, and policy-making in developing countries, in the UK and more broadly. In the design of some projects it has followed a direct or focused approach, deliberately seeking to identify and promote changes in trade policy or practice that will benefit poor people. Examples include the BLCF, the ATPP, the BPP in Kenya, the BIDS-IFPRI in Bangladesh and the Jamaica Tourism Challenge Fund. But in many others the approach has been indirect or enabling – as in the CRNM, the TPCB in Ukraine, the 'Umbrella' project in Kenya.

169. There has been less attention given to integrating gender equality into DFID TRCB projects, though there are some which have sought to address gender issues. These include the projects addressing horticulture in Kenya, garments in Bangladesh, crafts in Malawi, and cross-border traders in Bangladesh.

170. Despite attention to poverty or gender issues in project design, implementation problems in some projects have limited the progress in meeting these objectives. For instance the modalities of the Jamaica Tourism Challenge Fund proved too difficult for smaller enterprises to be able to take advantage of the funds available. Others however were quite successful as in the case of the SEDF border project in Bangladesh.

171. Regional linkages have been promoted in various ways. In the Caribbean DFID supported both regional negotiating capacity and measures to help achieve the CSME. In the ATPP, besides targeting the EAC, the regional approach coupled with the use of a single programme implementing agency had the potential to foster linkages between governments and other stakeholders facing the similar trade policy challenges. TRCB

projects in border areas also were found typically to help stimulate regional trade. Such projects may provide an effective way to address poverty and gender equality issues in TRCB as well, as it is the smaller producers and traders, typically including many women, who are involved in regional trade rather than in exports to more distant markets.

Section 8. Recommendations

1- Focus on TRCB core trade issues

172. The present definition of TRCB, as used in the WTO/OECD database is far too broad for analytical and policy purposes. It is a catch-all definition; as international trade gets mainstreamed, almost anything can be trade-related. It is important for DFID's ITD to focus on a narrower definition, given its concerns and interests. It is therefore recommended that TRCB should be divided into a core area (policy research, analysis and development, WTO and regional trade agreement negotiating processes, building capacities within government on these issues) and an outer rim consisting of two categories – the first addressing WTO and regional trade-related capacity building which are more operational than policy (standards, customs, trade facilitation) and a broader range of tasks related to trade development (support to private sector institutions, chambers of commerce etc) which can and are being addressed through a variety of projects classified in various sectoral categories (private sector, industry, regional development). The core area of TRCB and the first category of the outer rim will be the primary concern of ITD. The latter category will be of interest to ITD to the extent that it can incorporate global and regional trade issues.

173. There is no recognised concept of a TRCB cluster at the country level. The projects or programmes that were studied at the country level formed a cluster only for this evaluation. Many of the projects reviewed can easily be slotted into other classifications – private sector, industry, agriculture and so on. This is one reason why TRCB needs to be re-defined, to spotlight an inner core, directly focused on international trade.

2- Build stronger linkages between TRCB and poverty reduction

174. Many of DFID's TRCB programmes adopt the enabling approach towards poverty reduction, i.e. which focuses on the impact of trade reforms on growth, and indirectly seeks to reduce poverty. However, a more focused approach is usually needed to ensure that trade policy changes and the expansion of trade translate into poverty reduction.

175. One strategy to achieve this objective has appeared in some of DFID's TRCB programming, i.e. research examining the linkages between trade and poverty. We recommend that DFID increase its support of country level and sectoral/sub-national assessments of trade and poverty linkages. Such studies of the impact of trade policies on poor people – whether working in agriculture or industry, as service providers, or cross-border traders -- should form a key strategy for DFID to strengthen the capacity of recipient countries to design pro-poor trade policies. In addition to research on trade and poverty, another strategy to focus on poor people in trade policy projects is illustrated in the recent DFID-funded project being carried out by UNCTAD on "Trade and Globalisation in India." A key aim is to ensure that the interests of poor people are

represented in the trade policy dialogue between policymakers, the private sector and civil society organisations representing the interests of the poor (for example through the participation of farmers associations, informal workers associations, and NGOs working with marginalised segments).

176. Capacities for analysing trade and poverty linkages need to be built in institutions such as ministries of finance, planning bodies, and central banks, as well as the core trade-related ministries. NGOs and universities also need to be involved in CB as part of TRCB projects.
177. With respect to the poverty focus of trade development projects, a number of questions have been raised. Should DFID focus on small producers or on the employment impacts of large exporters? Should a focused approach concentrate on certain sectors where poor people are found? By reviewing DFID's work in this area, we cannot easily discern which approach has been favoured by the agency to this point. This ambivalence may reflect internal discussions within DFID on the benefits of adopting a broader enabling approach supporting mostly large producers who can more easily access foreign markets vs. a more focused approach developing the export capacity of small producers. While such TD projects are in the second category of the outer rim of TRCB and are usually implemented by DFID outside ITD, ITD should build relationships with these other units in DFID to ensure that they address poverty-related trade issues.
178. DFID should consider incorporating trade and poverty issues into major projects dealing with areas such as regional development, rural livelihoods and private sector development. As WTO issues get increasingly domesticated, such an approach will facilitate mainstreaming trade issues in broader development processes. Cross-border projects have strong trade and poverty dimensions and learning from current experience should be a more popular feature in the DFID portfolio. This would also encourage sub-regional linkages.
179. Whenever projects are designed, priority should be given to national assessments of key trade and poverty issues. Once these issues are identified, DFID could provide resources to address these issues bilaterally or it could work with other donors (for example the EC or CIDA) who share DFID's trade and poverty agenda.

3- Build stronger linkages between TRCB and gender equality

180. Policy-oriented research on the gendered-dimension of international trade is an important first step to ensure that gender equality is integrated in TRCB. Policymakers and stakeholders are only beginning to understand how trade reforms have gender-differentiated impacts. The development of a national trade strategy to be included in the national development strategies needs to be informed by good-quality information on gender and trade. Such work is usually lacking. DFID should therefore consider

including a gender research component in trade policy projects. Some of the projects evaluated offered examples of such good practices.

181. Trade development projects can also include a gender component to maximise the poverty reduction impact of international trade. This can be done in many ways. For instance, a project supporting trade finance could deliberately include a component supporting women entrepreneurs' access to trade-related credit to deal with the gender differences in access to both formal and informal financing. A project supporting the development of export industries or export processing zones which often rely on female labour could be complemented with a component aiming at strengthening the protection of workers' rights. The resource tool developed by the Canadian International Development Agency (CIDA) could be used by DFID to this end.
182. The topic of gender and trade could be a fruitful area for collaboration among donors, as many are only beginning to examine how their mandate on gender equality can be integrated in their support of TRCB.

4- Improve the integration of regional trading issues in TRCB

183. As we have found, regional and sub-regional trade considerations are important and have been included in various ways in DFID's TRCB programming in each of the country or regional case-studies in this evaluation. Nonetheless there is scope for more systematic attention to be given to exploring regional dimensions in both TPR and TD programming. This could involve support to regional institutions (governmental and non-governmental), regional trade knowledge networks, and mechanisms to facilitate and promote cross-border trade, for instance. Analytical capacities, for instance to assess the benefits and costs of alternative regional integration mechanisms, are often quite weak, particularly in the smaller or poorer countries within regional groups. Such regional initiatives, however, should complement rather than replace national initiatives, given that in most regions national institutions still retain responsibilities especially in the TPR area. Also a regional focus should complement rather than replace activities to strengthen engagement in the WTO. One approach would be to develop regional components at the project design phase; another would be to promote the use of regional expertise and regional workshops, as appropriate. Consideration could also be given to inter-country projects within a region on narrowly-focused WTO issues (for example, services) and at the country level.

5- Improve the linkages between trade policy projects and trade development projects

184. A key characteristic of DFID TRCB work in the past has been that it is project-based and usually fragmentary; this contrasts with more established areas of DFID assistance which have moved into sector-wide programming and budgetary support. There have been some changes with a shift to broader regional/multi-country programming, larger and/or multi-phased projects and the use of challenge funds, especially for TD work. But

typically in most countries DFID TRCB work does not form a coherent cluster of activities. While DFID has had a strong vision and overall conceptual framework for its TRCB work (as articulated in the White Papers) there has been no strategy within DFID to guide this work and especially to suggest how it might be integrated within country assistance programmes. The most obvious disjuncture is between TPR and TD projects, reflecting the way in which many TD projects are in fact designed as PSD and the creation of an enabling environment for business rather than trade. The DFID-wide trade strategy may help to identify ways to improve the linkages between TPR and TD projects in order to promote synergies and complementarities.

185. Another approach would be to use the Integrated Framework in a more concerted fashion, with national governments and other agencies. The IF presently sets out a matrix of areas where TRCB needs have been identified, leaving scope for discussion about their prioritisation as well as ways of ensuring complementarities and synergies. The WTO/OECD classification system may also be used, for instance in countries not eligible for the IF, to consider relationships between planned projects within a country or region, though to date it has largely been used as a reporting rather than a planning tool.

6- Move beyond technical assistance toward long-term capacity building

186. As stressed in several points in this report, it is critical that efforts continue to move beyond short-term technical assistance to measures which build longer-term capacity. This is a challenge in the trade area both because it is relatively new for many donor agencies, while many trade experts have not had CB experience in developing countries, and also the immediate needs presented by compliance with WTO rules, negotiations at the WTO, with the EU, regionally and bilaterally, appear overwhelming in many countries.

187. There appear to be a number of good practices that help to ensure projects involve CB rather than TA. These include: longer timeframes, multiple phases, flexibility to respond to emerging needs, use of national or regional expertise even if this requires some twinning with foreign experts, involvement of national or regional think-tanks and universities (especially international economics and trade law units), training of groups in a wide range of institutions in government and outside, relevant studies with strong communications strategies, and the opportunity for experiential learning. CB may involve some foreign TA but it must be used as part of a broader approach. Non-profit organisations (universities, research institutions, chambers of commerce, NGOs) in the UK and elsewhere should be more extensively engaged as implementing institutions for projects or project components.

188. Projects should be designed taking account of the opportunities to build capacities around negotiating processes (WTO, regional, sub-regional, ACP). Training, advisory services, and participation at meetings will be linked to evolving negotiating processes.

189. Currently TRCB assistance is provided through country and inter-country projects or programmes. In addition there should be an umbrella financing mechanism for ad hoc and intermittent but also strategic interventions in TRCB, especially policy, analytical and research work on WTO and regional trade agreement-related issues. This could be a pool of funds (similar to the challenge funds) available for applications from universities, research institutions, think-tanks and NGOs for undertaking specific studies, seminars and workshops on key issues, exploiting evolving circumstances and upcoming events, and with a strong trade and poverty orientation. Such applications could be jointly made by developing country and developed country institutions. The funds could be managed by a NGO or think-tank either in the UK or outside; it could be similar to the ODI Fellowship scheme, but with the objective being to stimulate the demand for (and supply of) studies and seminars rather than young professionals. This type of approach without excessive overheads and management costs could be highly cost-effective.

7- Maintain a diversity of approaches

190. The majority of projects or programmes which were included in the evaluation were DFID-funded bilateral projects, delivered through a variety of channels – ranging from UK-based NGOs, consulting firms and academics, to regionally or nationally based think-tanks, academics, consulting firms and NGOs, and multinational consulting firms. There were few instances involving an intergovernmental organisation and only one with a multilateral agency. This makes it difficult for us to draw solid conclusions about the relative advantages of one type of agency over another. We recommend that this issue be pursued by the OECD in its proposed country-level review of the impact of all TRCB. DFID also supports TRCB through key multilateral agencies such as UNCTAD, the World Bank, the ITC and FAO, amongst others – with bilateral funding of particular activities undertaken by these agencies (in what are known as ‘multi-bi’ projects) in addition to regular funding of their programming – as well as through the European Commission. Our discussions with UNCTAD officials about their work, as well as with developing country stakeholders allow us to make some recommendations about the importance of a diversity of approaches. But further analysis of the role of the particular contributions of different multilateral, regional and bilateral agencies is warranted.

191. We recommend that DFID continue to support and develop dedicated WTO-related projects on accession for prospective members and on implementation and negotiation for members. These projects could benefit from linkages with projects and activities undertaken by multilateral organisations (such as UNCTAD and the World Bank). Project design and contractual arrangements should incorporate such relationships, engaging these multilateral organisations as ‘co-operating partners’. This will be a cost-effective approach. It could also help to establish greater complementarity between DFID-funded multilateral activities and country-level actions. For example, the DFID-funded project in the Ukraine could benefit from a closer linkage with the UNCTAD WTO accession project.

192. Personnel cuts, if essential despite the growing volume of TRCB spending, should not be used as a reason for eliminating bilateral programming as this constitutes an important base for the work of DFID (and the UK) in linking trade to poverty reduction. Rather personnel constraints could be accommodated by narrowing the scope and expanding the average size of bilateral programmes as well as increasing the share of TRCB spending via DBS, co-funding arrangements, regional and multilateral agencies.

8- *Strengthen management and coordination*

193. There are several areas in which TRCB management can be improved. Some of these may reflect general programme management issues such as more careful needs assessments and establishment of OVIs, and improving the frequency and usefulness of project reviews (QPRs, OPRs), in particular through the inclusion of reviewers not involved in the initial project design. For instance, prior to designing projects, scoping missions should establish clear priorities, based on DFID capacities, its comparative strengths and capacities at the country level to absorb TRCB. Full needs assessments may not be required as much as a more focused definition of priorities. Negotiations with consulting firms acting as project managers and/or implementation agencies should be improved with particular attention to costs and cost-effectiveness. For projects in excess of £1 million in the totality of their phases should be evaluated at mid-term, preferably between the first and second phase, so that improvements can be made to project design and implementation.

194. Some issues may reflect the relative inexperience with TRCB compared to other sectors such as health or education, and thus less clarity for instance in understanding how to design TRCB, or how to attribute trade let alone poverty reduction outcomes to TRCB. Others result from the way in which TRCB has been managed within DFID, for instance, without an overarching strategy or a management team linking the different divisions involved, and by a cadre of professionals with a high turnover. Still others may reflect the need for TRCB to be carried out in a particularly sensitive fashion, to avoid any perceptions of conflicts of interest, and to ensure that national needs are met in a flexible and timely fashion. Projects should be designed flexibly, allowing for adjustments and amendments in mid-stream. Contractual arrangements with implementing agencies should also allow for such adjustments; this could avoid wasting resources on activities that are not progressing as expected.

195. There have been efforts to train DFID personnel on trade issues, and to develop manuals on TRCB project management, so that those involved in TRCB monitoring can be more substantively involved. These should continue, particularly for selected country/regional office personnel, with training to include TRCB project/programme management, drawing on OPRs and PCRs of the existing portfolio (as well as this evaluation), and even negotiating experience. Familiarity with trade-poverty linkages as well as mainstreaming trade into national PRS will become particularly important as the modality for TRCB delivery shifts to DBS and recipients engage donors in dialogue

about trade and other policies. There is also a need for closer supervision by ITD of TRCB activities in country/regional offices. Although decentralisation is appropriate, field office capacities in TRCB are relatively weak as yet. Field offices need guidance, direction and monitoring as ITD is doing with respect to DFID-funded activities in more experienced agencies such as UNCTAD.

196. Within recipient countries there is an opportunity for DFID to work more with national governments and other donor agencies, including the EC, to ensure that TRCB is better coordinated. In some, the IF may be one modality. In others there may be an interministerial or interinstitutional committee on trade which could be supported to play a lead role in such coordination, using the information reported in the WTO/OECD database as a starting point. DFID has been involved in some coordinating efforts in a number of countries, or regions such as Kenya, Malawi and the Caribbean; in Ukraine, one of its TRCB project advisers took the initiative to do this. We recommend that future DFID projects provide a modest amount of resources to facilitate this type of informal coordination and thereby obtain better value-for-money from all donor sources and also streamline CB processes. A spin-off from this kind of approach could be a more focussed strategy on trade and poverty linkages.

9- Consider Direct Budgetary Support as a new opportunity for TRCB

197. An increasing proportion of DFID assistance, especially in Africa, is expected to be delivered in the context of DBS. We therefore recommend that DFID consider ways to engage with recipient governments on trade-related issues in the context of DBS and that it include directions on how to address TRCB in the context of DBS-related policy dialogue in its new trade strategy. Much of the focus to date in DBS has been on health and education. But DBS creates an opportunity for governments to coordinate donor support of TRCB. It also allows for them to engage in policy dialogue with donors about mainstreaming trade into PRS, identifying appropriate trade policies and resolving supply-side capacity constraints. In some cases, funds may be earmarked for TRCB. The relative merits of this approach, as compared with more traditional TRCB projects or programming, should be the subject of a workshop organised by DFID in collaboration with other donors, multilateral agencies and partner governments.

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ANNEXES

A. Review of DFID-Funded Projects in UNCTAD²⁸

1. Overview

- A1. UNCTAD is now more a forum for discussion of trade and development issues, instead of its earlier role of being a negotiating forum. Its technical assistance programmes are now a key and central feature of its operations. Since WTO was established, it has found another new role in assisting developing countries to address WTO and other trade and development issues from a poor country perspective. Developing countries have a long tradition of placing confidence in UNCTAD's prescriptions and in the context of newly-emerging multilateral trading systems, they find that UNCTAD would be the appropriate guide for them. UNCTAD is also now more of a professional and technical agency and less an institution imbued with a political agenda, like in the 1970s and 1980s. It has developed a well-respected analytical capacity in several trade-related areas. Another advantage UNCTAD has over some other Geneva-based TRCB providers is its access to WTO meetings, both formal and informal, which can inform both its analytical work and its TRCB.
- A2. Developed and developing countries find in UNCTAD a pre-negotiating forum in which they can have dialogue on trade and development issues, without the binding commitments which are a feature of WTO. Since Doha, UNCTAD has played an important part in building the multilateral trading system and engaging the attention and interest of developing countries. UNCTAD has developed relatively broad and comprehensive programmes in many areas – agricultural trade liberalisation, services, competition, environment – and TRCB projects, including those funded by DFID, are blended into these programmes. There is a strong convergence between UNCTAD's own substantive work and its TRCB, funded from extra-budgetary sources.
- A3. TRCB undertaken in collaboration with organisations like UNCTAD, especially at the Geneva level, takes a different hue from TRCB activities at the country level. Although DFID's primary aim in providing funding to UNCTAD is to assist developing countries, it is also part of the broader aim of DFID to build up a sustainable multilateral trading system, by making it more participatory and inclusive. Channelling assistance to UNCTAD also facilitates UNCTAD to build its own capacities to work within the multilateral trading system. This kind of support from donors should therefore be seen in a different light to other kinds of technical assistance to sectors such as education and health in developing countries. Support for TRCB, especially within a multilateral

²⁸ This is not a comprehensive evaluation of DFID-funded projects in UNCTAD. It is more a desk review. Consultations were held in Geneva with relevant UNCTAD officials, and with Ms. Eleanor Fuller of DFID UK. Other stakeholders have not been consulted.

context, is assistance not from a donor to a recipient, but more to build a multilateral system from which everyone benefits, including developed donor countries. This is an aspect of TRCB which needs to be borne in mind, as donors, while concentrating largely on assisting developing countries to build their capacities, should also aim at enabling the various parts of the multilateral trading regime to build their own capacities.

- A4. Many donors are engaged in UNCTAD and also at the country-level, through bilateral projects in TRCB. Within the overall framework of TRCB, many of these donors have a major interest in WTO-related issues, especially on WTO accession of countries which remain outside. To obtain optimal outcomes from TRCB, it is essential that there is complementary policy-level action in bodies such as WTO, to push developing-country agendas with more dynamism. TRCB has to run in parallel with political action in WTO, to speed up accession processes. Similarly, more can be gained through convergence among donors in TRCB, in subjects such as WTO accession, services and trade and environment. Greater linkages between DFID and other donor interventions in UNCTAD and their field projects could lead to greater impact. UNCTAD and bilateral donors such as DFID should seek out opportunities for greater synergy and complementarity between what is done by UNCTAD and field-level actions, bilaterally funded. (To take an example, DFID-funded projects on WTO issues would benefit from greater contact with UNCTAD experience in WTO accession issues. They could even be more cost-effective.)
- A5. An important advantage that UNCTAD is that it is well-placed to take up issues in trade and development which are controversial when they are taken up in the WTO. Issues in which developing countries have been hesitant to enter into negotiations are open for discussion in an UNCTAD context. Competition law and policy, and trade and environment issues, are discussed within UNCTAD and TRCB programmes are actively engaging developing countries in these issues. Issues in competition (which was a ‘Singapore’ issue) are analysed in the DFID-funded UNCTAD project and many developing countries are favourably inclined to develop their policies in ways in which they would later be able to comply with a negotiated multilateral framework. Similarly, a lot of initial analytical work on developing countries’ interests in trade in services was carried out in UNCTAD. This is a clear indication that an institution like UNCTAD, with donor support, can take these types of issues and work on them at the country level, which would then ease the path of future multilateral negotiations. Public procurement is another of the Singapore issues which did not find favour with developing countries in the WTO. There is the opportunity for donors, including DFID, working through UNCTAD, to assist developing countries to reform their public procurement laws and procedures, without at this stage being party to a binding agreement. Donors can initiate TRCB actions, in consultation particularly with LDCs, in developing an agenda of issues which are suitably addressed through UNCTAD, particularly in those areas on which developing countries are disinclined to engage at the WTO.

A6. When funding UNCTAD, DFID makes a choice as between multilateral organisations. At least six global multilateral agencies (UNCTAD, UNIDO, ITC, UNDP, World Bank, WTO) have important interests in TRCB. Five of these organisations are partners in the Integrated Framework (IF) (the exception being UNIDO). The comparative advantage of UNCTAD lies primarily in trade policy analysis and research and providing policy guidance and advice on trade and development issues. It is an organisation which largely focuses on policy development, whether at the country or global levels. It might do many other types of TRCB, but its main strength lies in policy analysis and advice. UNIDO has strengths on the supply-side in the industrial sectors and ITC's main interests are in offering assistance to developing countries to market their products. The WTO has its own mandate of being a negotiating forum and ensuring compliance with agreed norms and rules. UNDP is largely a funding agency for TRCB, but plays only a minor role in that area. The World Bank has strong research interests in trade and is the leading external player in economic policy advice to developing countries, including on trade liberalisation issues. DFID has a choice among these organisations and it might consider developing clear criteria for involving these agencies in TRCB. (Currently, the practice appears to be to identify persons and issues within multilateral organisations with a reputable track record.) There are also arguments for having a pluralist approach, so that even on the same issue area – like services – both UNCTAD and the World Bank are engaged to do complementary tasks. A degree of competition among agencies can also be positive for TRCB.

2. The DFID Portfolio

A7. The current DFID-funded programmes and projects in UNCTAD which are briefly analysed in this Annexe are as follows:

- WTO Accession Trust Fund Phase II – £650,000
- Services Phase II – £670,000
- Capacity Building in the area of Competition Law and Policy – £300,000
- UNCTAD Project on Trade & Environment Phase II – £ 1,040,000
- Agriculture Trade Policy Simulation Model – £128,000
- Trade and Globalisation in India – £5.4 million

A8. There are several other DFID-funded projects, which are being implemented through UNCTAD in part or in whole and in a more comprehensive evaluation should be taken into account. These include:

- UNCTAD/ICTSD TRIPS project Phase II – £1.2 million
- Capacity building on international investment agreements – £387,500
- Support for travel of developing country delegates (LDCs) to major international meetings on trade – £170,000

- Support for travel of developing-country civil society representatives to UNCTAD XI – £30,000
- Supporting developing countries' assessment of the non-agricultural market access negotiations and trade preferences – £100,000
- JITAP Phase II – £650,000 (UNCTAD has access to part of these funds)
- Integrated Framework – Window I £1,400,000 and Window II £1 million. UNCTAD has partial access to these funds.
- ASYCUDA – many DFID-funded projects in several countries – individual country amounts vary between £500,000 and £1 million.

A9. Apart from the country-specific projects of India and ASYCUDA and the two programmes (JITAP and IF) where UNCTAD is only a subsidiary agent, total DFID funding for these projects amounts to around £5 million, in their current phases. Most of these projects are being implemented by the Trade and Commodities Division of UNCTAD. (The six projects under review in this paper are all being implemented by this division.) On the above figures, excluding the India project and ASYCUDA, the annual average funding by DFID is in the order of £1.5 million, on the assumption that these projects are for a period of three years.

A10. UNCTAD's main methodology in implementing these projects has been to build capacities through training workshops and seminars, supplemented by technical studies in the relevant subject areas. In addition, advisory missions by project technical advisers and UNCTAD's in-house technical personnel have been dispatched to developing countries. The outcomes of DFID-funded projects would therefore depend upon the quality of the technical advice provided. The quality of such advice appears to be appropriate and highly satisfactory. In the Services and the WTO Accession projects, the two main technical advisers who are funded by DFID are former WTO negotiators and have a sound knowledge of the relevant issues. With regard to studies, UNCTAD has utilised mainly the services of national consultants. They have interacted with technical staff of UNCTAD and also have had access to UNCTAD's own research outputs in the areas concerned.

A11. A key mechanism of UNCTAD in delivering TRCB is the inter-country workshop and seminar. Most of the projects are targeted not only on one country but on several and therefore, the inter-country workshop is a cost-effective mode. UNCTAD, with its access to UN field system (UNDP) supporting arrangements, has an advantage in organising inter-country groups which no consultancy firm can claim. (One of the problems of DFID's Africa Trade and Poverty Programme (ATPP) was that the contractor did not have that kind of support system in all the countries). There are many benefits to be derived from this kind of inter-country organisation for TRCB delivery. It is conducive to stimulating technical networks on specialised subjects and a natural outcome would be the exchange of experience on WTO and other trade-related issues. It is also cost-

effective, especially in areas where the negotiating process is over the long-term. This type of intermittent TRCB delivery is appropriate in such circumstances.

A12. One of the advantages claimed for UNCTAD as an implementing agency is that projects funded by donors have access to UNCTAD's in-house technical resources. Observing the inputs provided by UNCTAD for the projects under review, it can be estimated that about 30% of such contributions came from UNCTAD in-house staff. Some 70%-80% of technical inputs provided by projects come from outside UNCTAD, funded by DFID. The large share of outside expertise places an obligation on UNCTAD to ensure that their quality and relevance are appropriate. As the bulk of the work involved is of a didactic nature, communications skills are crucial. Although the in-house contribution is relatively small, it is a vital element, which adds value to TRCB delivery. It is not only the projects that benefit through this arrangement. UNCTAD itself is a beneficiary, as these projects enable it to expand its outreach and be more engaged at a practical, field level. It also enhances the credibility of UNCTAD within the multilateral system. Engaging UNCTAD in DFID projects also contributes to building multilateral institutional capacities, which are useful and sustainable.

A13. Research is an important part of most of these DFID-funded projects. A large number of national studies have been commissioned by these projects, using national consultants. The quality of these studies is to some extent ensured by the screening processes undertaken by projects. UNCTAD has a clear advantage in guiding this type of research activity, as it has its own analytical bases which are useful for researchers in these projects. A problem appears to be that these national studies remain the work of the consultants who did them and have not been discussed widely at the country level. There is an apparent disconnection between inter-country discussion and potentially valuable country-level actions, where these studies can be inputs into the policy-making process. The projects have also led to more global research activities, especially on WTO accession issues and agricultural trade policy. Most of the research undertaken through these projects has been published and is available on UNCTAD websites. This is in contrast with many of the activities undertaken by DFID projects at the country level, where research outputs remain virtually restricted to that country. However, there is no evidence that these projects have consistently aimed at building local capacities through these research activities.

A14. These projects (WTO Accession, Competition, Environment, Services) reach out to nearly 40 countries, some of them LDCs, with varying levels of intensity. Most of these countries are those which are not served by other DFID projects. There are no DFID offices in most of these countries. Working through UNCTAD provides DFID with a more extended outreach. There is no clear rationale as to why these countries have been selected for the activities intended. Are these the countries where there is the most potential for advancing the relevant multilateral agendas? Or is it that these countries are selected more on political criteria than on a technical assessment of their capacities and opportunities? Observing the experience of these projects, it might be worthwhile for

UNCTAD and DFID to assess more critically the list of countries that are now currently included. It is possible that there are other countries which should be brought in. Among the countries which are currently included, some of them are largely inactive and either they may be excluded, or treated as subsidiary to the main thrust of these projects. Projects should consider focusing on those countries where the opportunities for gains are the largest, whether they be LDCs or otherwise.

- A15. A major DFID concern is the linkage between trade and poverty and gender issues. In none of these projects is there a clear poverty and gender dimension. In projects such as WTO Accession, there may be less to be gained by insisting upon poverty and gender dimensions. When it comes to the India project, that of course is largely a poverty-focused project. The question for the future is whether it is feasible for DFID and UNCTAD to develop projects with a greater poverty and gender orientation. There are aspects of competition policy which are poverty-oriented, for example issues relating to small businesses, and similarly there are gender dimensions in the area of services. These could be emphasised.
- A16. As noted above, UNCTAD's main approach to capacity building is through seminars, workshops and advisory missions. The experience of the last five years provides a growing body of evidence that one of the optimal ways of building capacities is through the negotiating process itself and attendance and participation at conferences and forums such as Working Party meetings. Those who are taking part in these events have an incentive and greater stimulus to enhance their capacities. DFID itself appears to realise the importance of this aspect of the negotiating process for TRCB. At least two projects, albeit small, enable developing-country representatives to take part in conferences. In other projects, too, the support offered for participants to attend conferences are resources appropriately invested. Conferences and meetings should be more appropriately exploited, to build TRCB activities around them.
- A17. Apart from what can be learnt from UNCTAD officials themselves, there is no objective source of evidence as to the impact and outcomes of project activities. There is no clear evidence that inter-country seminars and workshops and research studies and technical advisory missions have led to concrete, tangible outcomes, such as changes in policy or building capacities in institutions. To judge the outcomes of inter-country week-long seminars in terms of impact at the country level is virtually impossible. It is far better to move towards another type of assessment, emphasising more the process than the product. A controlled assessment of the technical inputs into a project is certainly feasible. The quality of expertise provided can be judged. The quality of research studies can similarly be measured. Another important measure is the quality of the participants at a seminar or workshop and this is relatively neglected. Selecting the best participants, who have better opportunities and inclinations to induce policy and practical changes in their own countries, could yield optimal outcomes. These participants could be drawn from national institutions (universities, research institutions) which will contribute to building capacities. Ensuring that technical inputs and participants are of a high quality is

what can be done through this type of project. Going beyond that to identify the views of beneficiaries on outcomes and tangible impact is, to say the least, not a feasible proposition, apart from being a resource-consuming exercise. DFID is funding two projects through UNCTAD to ensure participation of LDCs and civil society organisations in important conferences. Here again, ensuring the quality of participation is vital. Conferences and negotiations offer prospective opportunities for capacity building.

A18. Many of these projects have a strong Geneva bias. They work with developing country missions based in Geneva. In several of these projects, an important objective is to strengthen the negotiating capacities of those in Geneva. There are risks in this approach. It could lead to these projects doing the work of the Geneva missions, instead of building capacities. Projects can be mere servicing mechanisms for WTO negotiators. This must be avoided. Focusing on Geneva could also mean the neglect of the key personnel involved in decision making, for example in the area of services, based at the country level and who might not even have the opportunity to visit Geneva. UNCTAD has utilised projects such as JITAP (partly funded by DFID) to reach out to local policy constituencies, through mechanisms such as Inter-Institutional Committees (IICs) at the country-level. Building capacities in Geneva should not be at the expense of country-level action. This is particularly so as domestic policy reform is crucial to a dynamic negotiating process and such reform has to involve country-level personnel and institutions.

A19. There has been regular monitoring by DFID UK of UNCTAD projects. Contact between UNCTAD officials and DFID staff has been conducted on a continuing basis. The reviews undertaken by DFID personnel have been of a high standard. They are not merely managerial reviews and address substantive issues in the project. Many visits have been undertaken by DFID personnel to project events and they are well-documented. This is an effective system of monitoring. It is also noted that these visits are structured on the basis of pre-planned terms of reference. What is required is to ensure that the project takes note of findings and acts upon them. The level of monitoring of UNCTAD projects by DFID is superior to the monitoring and review process that goes on in the field. This is partly due to greater experience and expertise of DFID staff from headquarters and also due to their relative detachment from the Geneva scene. Country-based personnel are more hesitant to be critical of project activities within governments.

3. Analysis of Projects

3.1 WTO Accession

A20. The UNCTAD Trust Fund for WTO Accessions [TP-INT/99/A50] has been almost solely funded by DFID, apart from a modest contribution by Norway recently. The first phase of the project was from 1998-2002 and DFID funding was in the order of UK£400,000. The second phase, which started in March 2003 and is presumed to run until 2005, is for US\$900,000 from DFID and US\$150,000 from Norway. The project in

its two phases has been concerned with 10 countries (Afghanistan, Bhutan, Cape Verde, Ethiopia, Laos, Samoa, Sudan, Yemen, Serbia- Montenegro and Kazakhstan - eight LDCs and two economies in transition) to assist them to enter into negotiations with WTO. DFID's funds are utilised to make available a full-time project manager, currently a former Malaysian negotiator within WTO. The project manager, along with other UNCTAD technical staff, has engaged these 10 countries in increasing their awareness and technical capacities on WTO issues. Training has been provided for negotiators in Geneva and in the home countries, technical advisory missions to these countries have been mounted and this has included advice in the adjustment of domestic policies for them to be WTO-compatible. Many workshops have been held and several study tours have been arranged. The workshops have included key policy-makers, including parliamentarians, the private sector and academics. Assistance has been provided for the preparation of relevant documentation. A small component of the project has been to supply IT equipment to Ministries of Trade, to facilitate their work, especially to obtain internet access.

A21. Undoubtedly, the work undertaken through this project has been beneficial to countries which have very little familiarity with WTO issues and negotiating processes. Many were previously controlled economies and have yet to understand fully the implications of the workings of market economies and of trade liberalisation. The project is largely valuable for awareness-raising of globalisation issues. This type of work has to be done by some institution, in the current context of rapid globalisation. Most of these countries have been left behind in mainstream globalising processes. UNCTAD is proposing that the current list of countries might even be extended to include countries such as Azerbaijan, Iran, Lebanon, Libya, Syria and Timor Leste, from which there have been increasing requests. Although 10 countries have been targeted through the project, most activities have been confined to five or six countries.

A22. DFID and other donors have assisted many countries on WTO accession issues, through TRCB. Such assistance has been provided through projects focused on individual countries (for example, in Ukraine DFID has its own WTO accession project). Is it more cost-effective to provide support to countries seeking WTO accession, through projects of the UNCTAD-type or through projects focusing on an individual country? There are arguments for an inter-country approach as being more cost-effective and also more conducive to longer-term engagement in capacity building. None of the countries which have been supported through this project have yet acceded to WTO and it is probably three or four years hence that there is even the prospect of any one of them obtaining successful accession. They would require continuing support, on an intermittent basis, over the long term. Projects of this kind are therefore required for the longer-haul. There is also accumulating evidence and experience of the problems of accession and of ways of resolving them. UNCTAD has brought out a publication – WTO Accessions and Development Policies – which has drawn substantially on the experience of the DFID project, among others. This is an important contribution that should be beneficial to those countries still outside the WTO.

A23. There are 26 Working Parties within the WTO which are examining the accession issues of 26 countries. The project has covered only 10. Many donors are providing technical assistance to several of these 26 countries, which have shown an interest in WTO accession. Facilitating the accession process is an integral part of building a solid multilateral trading system. It is a question of common interest to both developed and developing countries. Accession of countries to the WTO can be facilitated through TRCB only up to a point. It can build capacities and push the negotiating process to some extent. Ultimately, accession will depend upon political will on the part of the country seeking accession and on the part of WTO members, to offer the necessary concessions. It is therefore appropriate for DFID to consider a more cohesive and concerted strategy for WTO accession of these countries, bringing together other donors who have been active in pursuing the same objective.

A24. It is an appropriate time for a detailed evaluation of the WTO Accession Trust Fund, so that the project is invigorated with new vitality and also to engage with almost every one of those countries which are seriously seeking accession to the WTO. The programme would need to focus more intensively on those countries with a strong likelihood of obtaining WTO membership within the next five years. There could be two categories of countries – one group targeted for intensive interventions and the other where activities will be less intensive, as they lag behind WTO Accession processes. Once again, greater coordination among donors will be highly valuable.

3.2 Services

A25. The project for Services and Development Capacity Building [INT/OT/1CY] was started in early 2002 and ran until end-2003. A second project has started in 2004 and is expected to continue for another two years. The amounts of funding involved are US\$500,000 for the first project and US\$630,000 for the second phase. Implementation of activities under the second phase has only just started. The second project is largely a continuation of the first project.

A26. The project was an outcome of the DFID White Paper of the year 2000, which aimed at developing global trade policies with a significant development dimension. Within the WTO services negotiating framework, a large number of developing countries were handicapped through a lack of technical skills in what were relatively new issues. Many countries, especially LDCs, lack the capacity to analyse the implications of liberalisation of trade in services on their national economies. Domestic policy development has lagged behind as a result. The aim of the project was to provide developing countries with the necessary tools and analytical support for services negotiations. The project funded a full-time adviser, based in UNCTAD, for developing-country delegations taking part in the GATS negotiations. An expert from Peru, with the required technical and negotiating skills, has been the adviser. As and when required and depending upon availability, other UNCTAD technical personnel have also been engaged. The activities of the project are primarily in Geneva, for Geneva missions and visiting delegates from developing countries. The project responds to requests from countries for various forms of technical support. It also works in close collaboration with the South Centre, based in Geneva, the

OECD, the World Bank and others. Over 20 countries have been assisted through this project.

A27. In services negotiations and policy development, other donor activities which have linkages with the DFID project can be clearly observed. DFID itself is funding a major programme with the World Bank, Impact Assessment for GATS Negotiations in the Doha Round. This project is expected to enable many developing countries to undertake national assessments of the potential for trade in services. It apparently grew out of the UNCTAD project, although there appears to be little communication currently between the World Bank and UNCTAD. (The Project Document clearly obliges both institutions to collaborate in implementation and oversight.) DFID will need to look at this aspect more closely and to facilitate greater synergy between the two projects. The World Bank was selected to undertake the project on national assessment, instead of UNCTAD, as DFID presumably was of the view that World Bank is better placed to undertake this type of analysis at the country level. (It will be interesting to analyse whether UNCTAD and the World Bank have different methodologies and approaches to the analysis of trade in services issues at the country level.)

A28. Another linked UNCTAD project is funded by Germany – on Poverty Reduction and Trade in Services. Under this project, studies are being undertaken at the country level, for example on construction services in Indonesia, Colombia and Kenya. This project is examining ways in which construction industry firms in developing countries can be more competitive and also stimulate joint ventures in this area. JITAP, which is partly funded by DFID and where UNCTAD has a role, has also been engaged in undertaking work in the area of services and is currently doing a national assessment in Kenya. The India Project, funded by DFID, is also expected to be involved in the services sector. Clearly, the project on services is well-placed to develop the agenda and the content of services negotiations within the WTO. UNCTAD has undoubted expertise in these subjects. Being focused on Geneva negotiators, including delegates from developing countries, however, the project lacks the outreach capacity to assist in capacity building within countries. Services include such a vast array of sectors and industries (tourism, labour migration, infrastructure, banking, accountancy, law) that what is urgent is to build national capacities to analyse the implication of GATS on these sectors.

A29. Not all developing countries have identical interests or concerns. Many smaller developing countries and LDCs are particularly concerned with issues such as labour migration and probably less so with issues such as banking and law. There is yet no evidence that the needs of these countries are adequately met through TRCB, to generate the required dynamism in GATS negotiations. To overcome current gaps, DFID should consider a more concerted strategy among donors to assist developing countries in the area of services. The UNCTAD project should be utilised to undertake an assessment of the overall pattern of donor assistance in the broad area of the GATS negotiations and identify priorities for technical assistance.

3.3 Competition Law and Policy

- A30. Competition was one of the new Singapore issues, where developing countries have been clearly reluctant to be engaged in negotiations within the WTO framework at this stage. Following-up on para. 24 of the Doha Ministerial Declaration, UNCTAD developed a technical assistance programme in the field of competition policy, on the basis of consultations with developing countries, the WTO, the World Bank and the OECD. UNCTAD has long been involved in this policy area, predating WTO's concern with these issues. UNCTAD's work on competition has a long history and the DFID-funded project needs to be seen in that context. DFID's programme started in 2001 and in the last three years there has been a great deal of activity.
- A31. The DFID-funded project had three components. The first was aimed at assisting developing countries to obtain a better understanding of the implications of negotiating a multilateral agreement on competition policy and the potential effect on their development processes. In pursuing this aim, two studies on "The Application of WTO Core Principles to Competition Policy" and on "The Benefits for Developing Countries from a WTO Prohibition on International Hard-core Cartels" were prepared. Following these studies, several national and sub-regional workshops were held. These meetings brought together Government, business and civil society. The studies have been published and are available on the UNCTAD website.
- A32. The second component of the project dealt with organising two regional workshops for Asian and African countries, to enable them to obtain a better understanding of and follow-up on the Doha Ministerial Declaration. The reports of these meetings, which included findings and recommendations, were submitted to the relevant expert groups in UNCTAD, the WTO and the OECD.
- A33. The third component of the project was of a different kind to the other two. It was designed primarily to assist two African regional groupings – the West African Economic and Monetary Union (UEMOA) and COMESA – which were in the process of adopting a regional competition framework. The UEMOA, which has seven LDCs among its eight-country membership, is the only regional integration group with a regional competition law, enforcement agency and appeal court. The project assisted them to re-write their national laws in compliance with regional laws and also helped develop training activities. With COMESA, assistance was provided to several member countries, in association with the COMESA Secretariat.
- A34. The project has provided practical forms of support to about 20 developing countries to improve their competition laws. Although not everything can be attributed to the project, 14 developing countries are currently working with UNCTAD in upgrading their national competition laws. Project activities have led to an increased awareness of the complex issues in competition law and policy. Although multilateral negotiations might be some way off, the project has contributed to establishing a sound basis for such negotiations in the future, by improving competition law and policy at the country, sub-regional and regional levels.

A35. Most of the technical assistance activities under the project have taken the form of undertaking studies and organising national and inter-country seminars. There have also been several advisory missions to individual countries. All these activities appear to have contributed to capacity building and to establishing a network of persons more familiar with competition law and policy issues. This is an area in which the inter-country approach might be more beneficial than developing projects for individual countries. Also, given the controversial nature of the issues involved and where there is a lack of consensus between developing and developed countries, DFID has done well in selecting an organisation like UNCTAD to be an active intermediary.

A36. The activities of this project, if they are to contribute more productively, require to be followed-up at the country level with a greater degree of intensity. Several developing countries have been inclined to incorporate competition issues within the framework of Free Trade Agreements (FTAs). It is understood that Japan's FTA with Malaysia and Singapore will include such clauses. The first step to a broader multilateral agreement could be through incorporating competition clauses in sub-regional and regional agreements. Even prior to that, there needs to be domestic reforms in competition law and policy. This project has made a start. As in services, it might be timely to consider undertaking national assessments of competition law and policy. The future of this project requires immediate consideration.

3.4 Agricultural Trade Policy Simulation Model (ATPSM)

A37. The project – Updating ATPSM for Analysing Policy Options in Future Negotiations on Agriculture [INT/98/A60] – has been operational since 1999 and is due to end in 2004. The model itself has been developed by UNCTAD full-time staff, with the assistance of FAO. It is one of the leading models of this kind and has been instrumental in enabling policy development for agricultural negotiations within the WTO. ATPSM consists of model software and a database that can be downloaded without charge from UNCTAD's website. In 2003, the model was downloaded over 300 times. The model is highly disaggregated (161 individual countries, 36 agricultural commodities) and allows for varied tariff structures. The model has been developed since 1988 by UNCTAD, but it was DFID's funding since the late-1990s which enhanced its quality and coverage. The first phase of DFID funding was to convert ATPSM from a Fortran-based model to one with a user-friendly graphical user interface. Funds were used to employ consultants for program conversion. The second phase, which started in 2003, was for further model development. Over the five years, DFID has provided about US\$220,000 (roughly £128,000). The model has enabled developing countries to obtain a better understanding of the implications of the various complex proposals on agriculture. It has been used widely in analysing the implications of various negotiating scenarios. To illustrate, the recent UNCTAD publications *Agriculture Trade Reform and Poverty Reduction: Implications for Sub-Saharan Africa* by Kym Anderson and *Shifting Sands: Searching for a Compromise in the WTO Negotiations on Agriculture* by Peters and Vanzetti, have been based on the model.

A38. This is not a large project. For the modest sums invested, it is making a useful contribution to agriculture negotiations. Agriculture is one of the most critical issues for developing countries within the WTO and a model of this kind is crucial to the negotiating process. UNCTAD, apart from DFID funding, has largely utilised its own internal technical resources for maintaining the model. UNCTAD has also aimed at stimulating the interest of academic institutions and policy-makers in developing countries to use the model. It would like to see the model being developed in a way that would also facilitate its active use in regional and sub-regional negotiations in agriculture. Therefore continuing assistance for the development of the model will be valuable. Apart from development of the model, more intensive engagement of individual countries is essential to encourage them to use ATPSM not only for cross-border negotiations, but also to look at options and choices for domestic agricultural reform. It is domestic agricultural reform that will ease the path of agricultural trade liberalisation. ATPSM can be a valuable instrument in stimulating constructive approaches to negotiations on agricultural reform. DFID's assistance to ATPSM is also a contribution to building the capacities of multilateral institutions, in this instance UNCTAD.

3.5 Trade and Environment

A39. UNCTAD has designed and implemented a Trade, Environment and Development Programme (TED) in the last few years. Its aim has been to build capacities in developing countries to deal with key trade and environment issues, including those that are relevant to WTO negotiations. The main modality for building capacities has been workshops, through which there has been training, awareness raising and also organising research which are then discussed at these workshops. The DFID-funded programme on Trade and Environment (T&E) can be considered as part of the overall TED programme, although it has its clear demarcations. DFID's funding accounts for nearly 60% of all donor assistance to UNCTAD in the TED programme (excluding BioTrade and Climate Change).

A40. DFID has funded two projects on T&E since 1999. Over five years, DFID funding has amounted to around US\$2 million. UNCTAD has implemented the projects in collaboration with the Foundation for International Environmental Law and Development (FIELD), based in the UK. The first project - Strengthening Research and Policy-making Capacity on Trade and Environment in Developing Countries (INT/98/A61) - which was implemented from 1999-2001, focused on improving policy co-ordination at the national level in 10 countries. The second project - Building Capacity for Improved Policy-making and Negotiation on Key Trade and Environment Issues – has been implemented since early 2003. It is concerned with two themes – environmental requirements and market access for developing countries in specific product groups; and trade liberalisation in environmental goods and services. The work of this project facilitates follow-up action on the Doha decisions.

- A41. The first project brought together trade and environment policy-makers from 10 countries – Bangladesh, Brazil, Costa Rica, Cuba, India, Philippines, South Africa, Tanzania, Tunisia and Uganda. Several workshops were held, supported by research papers prepared primarily by developing-country participants on a range of trade and environment issues. What this project achieved was to build up a core cadre of policy-makers in these countries increasingly familiar with key trade and environment issues currently negotiated or discussed in the WTO. It also addressed issues of key national interest not on the WTO agenda such as environmental performance and competitiveness, trading opportunities for organic agricultural products etc.
- A42. The second project has been a more ambitious one and has built on the experience of the first. This project is confined to eight Central American and Spanish-speaking Caribbean countries and six South, East and South East Asian countries. Apart from building capacities for policy co-ordination, the project was concerned with assisting in the preparation of studies and facilitating national and sub-regional dialogues on trade and environment issues in the WTO. Many workshops were held which were aimed at increasing awareness on the trade implications of environmental requirements, and assisting countries to develop adjustment policies to deal with external environmental requirements as well as local environmental problems. These workshops also focused on specific product sectors, such as leather goods and the electrical and electronic products, horticulture and selected agricultural products. The private sector was involved in the workshops. DFID's funding enabled one assistant project manager to be in place, to assist in organising project activities. There are only three full-time staff members in UNCTAD for TED. They have devoted nearly 30% of their time to DFID activities. The project has also funded a part-time regional coordinator in Latin America. About another 20 national consultants were utilised for national studies in the beneficiary countries.
- A43. The TED programme has been the subject of an evaluation recently [TD/B/WP/165 August 2003]. DFID funding accounts for over 50% of the extra-budgetary resources provided for this programme and findings of this evaluation are therefore relevant for DFID activities.²⁹ The evaluation is excessively negative about the TED programme and that cannot be justified by their own findings. The evaluators carried out a survey about the impact of programme activities and found that 60% of the respondents agree with the statement that "the activity has helped their institution to do a better job." In addition, 47% agreed that "the TED programme has a tangible impact at the national and regional levels. With this type of finding, it is obvious that the programme is making an impact. The evaluators are not so positive, in spite of these figures. The evaluators also criticised the programme for lacking a vision (which according to Keynes is the prerogative of madmen) and also for not developing a more cohesive strategy, right through the value chain. UNCTAD's mandate in this field necessarily precludes addressing issues over the whole value chain. UNCTAD's TED should focus on policy issues. Even now, the programme seems to have strayed across boundaries, getting involved with supply-side environmental constraints on specific products, which really should be the work of

²⁹ The evaluation did not, however, cover DFID-II.

UNIDO and in terms of market access, of ITC. UNCTAD's TED has to focus on policy issues. Building on the results of the DFID project, it is now coming up with a proposal for a Consultative Task Force on Environmental Requirements and Market Access for Developing Countries. This will address issues both under discussion within WTO, as well as voluntary NGO and private sector standards which affect market access but largely fall outside WTO discussions, and as such could be a useful bridging instrument, bringing together governments and other stakeholders.

3.6 Trade and Globalisation in India

- A44. The project on Strategies and Preparedness for Trade and Globalisation in India [IND/OT/2CC] is one of the larger TA projects in the DFID Trade portfolio. The project started in 2003 and has a five-year duration. It is implemented by UNCTAD and the Ministry of Commerce and Industry of the Government of India is the Co-operating Agency. The DFID contribution to the project is £5.4 million. The project has two interrelated components. Component 1 can be described as the external dimension of the project, where it seeks to assist Indian trade negotiators and others to obtain an improved understanding of the development implications of trade. It is expected to build up a solid analytical base for trade negotiations. This component has been implemented since the start of the project in March 2003. Component 2, whose design has only recently been completed, is aimed at enhancing India's human and institutional capacities for analysis of trade- and globalisation-related issues and stimulating a policy environment which will be more conducive to a harmonised approach of trade and equitable growth and development. Component 2 can be defined as the domestic dimension of this project, enabling the outreach of trade and development issues into wider segments of Indian economy and society.
- A45. Many activities have been implemented in the last 15 months. The project has established an office in New Delhi, with a project manager and other supporting personnel. Nearly 15 seminars have been held and over 20 studies commissioned. One outstanding publication has been a book on Trade Liberalisation and Poverty in India, written by project staff, assisted by the Overseas Development Institute in the UK. This book has undertaken an in-depth analysis of the implications of trade liberalisation for poverty reduction and has offered many insights to policy-makers. Its contents offer many insights into a strong poverty-focused agenda for the project.
- A46. Although the project has undertaken many useful activities, there is yet more scope to design a cohesive strategy to address trade-related poverty issues. DFID UK has recently undertaken a review of this project and has raised several concerns regarding its progress and evolution. One important issue that has come up has been the extent to which the project should focus on trade issues which are directly affecting the poor. In a poor country such as India, where there is widespread poverty, there is of course a valid argument that any kind of growth and any form of trade expansion contributes to poverty reduction. While this is a relevant argument, there is the opportunity for this project to focus more precisely on pro-poor patterns of trade and growth. It is interesting in this context to note the announcement by the new Minister of Trade of India, that its new

incentive package is aimed at boosting exports from rural and small-town India, where job creation has languished. The bulk of India's exports, of US\$75 billion, come from manufacturing hubs in urban India and services exports, especially computer software. The government's aim is to increase exports from small-scale industry and agricultural products (see Edward Luce, "India Reveals Plans to Boost Trade," Financial Times, 1/9/2004). The Minister's statement provides a new basis for a pro-poor trade programme of activities for the project.

A47. As this is not an evaluation, and more a cursory desk review of the project, only tentative suggestions can be made to orient the project in a more precise, pro-poor direction, focusing on key issues and areas which have strong linkages between trade and poverty reduction. First, the project should consider shifting its attention from trade issues which are of primary concern to central agencies in New Delhi, to trade issues which are of greater concern to the poorer states of India. These could include the most deprived and poor states. Second, there should be greater engagement of NGOs, civil society organisations and local and regional universities outside New Delhi, with a view to building their capacities for research and analysis of trade and poverty issues. Third, there is an opportunity for this project to engage with smaller private sector organisations, such as Chambers of Commerce, in the poorer states and regions of India, so that there is more emphasis on product groups of greater interest from the angle of poverty reduction. Fourth, a research programme placing at its centre poverty issues directly linked to trade liberalisation and globalisation, should be developed. This project should evolve as a model of experience, to be followed by other countries and it has the opportunity to innovate and experiment.

B. People interviewed³⁰

UK

DFID:

Tamsyn Barton, ITD

Craig Davies, ITD

Eleanor Fuller, ITD

Hushe Mzenda, ITD

Geneva

UNCTAD:

Lakshmi Puri, Director DITC

Philippe Brusick, head of Branch, Competition Policy and Consumers Protection

Sam Laird, Head of Branch, Trade Analysis

Rene Vossennar, Head of Branch, Trade and Environment

Mina Mashayekhi, Head of Branch, Trade Negotiations and Commercial Diplomacy

Jolita Butkeviciene, Economic Affairs Officer, Trade Negotiations and Commercial Diplomacy Branch

David Vanzetti, Economic Affairs Officer, Trade Analysis Branch

Ulrich Hoffmann, Economic Affairs Officer, Trade and Environment Branch

Thomas Mathew, Project Manager, UNCTAD/DFID Trust Fund on Accession

Onguglo Bonapas, Economic Affairs Officer, Chief, Office of the Director

Norbert Lebele, Coordinator for Technical Cooperation, DITC

Ghana

DFID, Accra:

Paul Walters

Catherine Martin (by telephone and email)

Ruby Bentsi

Galina Akko

Ministry of Trade, Government of Ghana:

Kofi Larbi

Seth Addo

³⁰ Besides the people listed here, those interviewed in the course of the preparatory research and case-study field work are shown in the background working papers and country case-study reports, respectively.

Ghana Trade Policy Project:

Mark Hellyer, Senior Consultant (by telephone and email)

South Africa

Helena MacLeod, DFID

Hugh Scott, DFID

David Pedley, DFID

Stephen Hanival, TIPS

Peter Draper, SAIIA

Sri Lanka

Lalith Goonatilake, Team Leader UNIDO Integrated Industrial Development Program-Sri Lanka

Liang Daeng, Director UNIDO

J. Sellahewa, DFID Colombo

Nihal Abeysekera, National Director UNIDO Focal Point and National Project Director UNIDO Integrated Program

S. Weragoda, Deputy Director General -Sri Lanka Standards Institution.

D. P. Gunawardene, Director Textile Training & Services Centre

Sena Peiris, Director National Cleaner Production Centre

Nihal Cooray, Manager Sub Contracting & Partnership Exchange

Sarath Abeyesundara, National Project Coordinator UNIDO Integrated Program