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THE WORLD BANK OPERATIONS EVALUATION  
DEPARTMENT



## **Integrated Framework for Trade-Related Technical Assistance**

**Addressing Challenges of Globalization:  
An Independent Evaluation of the World Bank's  
Approach to Global Programs**

**Case Study**

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## Abbreviations and Acronyms

AGOA	African Growth and Opportunities Act (U.S.)
Capra-TFOC	Capra-Trade Facilitation Office Canada
CAS	Country Assistance Strategy (World Bank)
CBI	Caribbean Basin Initiative
CG	Consultative Group
CGIAR	Consultative Group on International Agricultural Research
CODE	Committee on Development Effectiveness
DGF	Development Grant Facility (World Bank)
DTIS	Diagnostic trade integration study
ED	Executive Director (World Bank or IMF)
EPZ	Export processing zone
ESW	Economic and Sector Work (World Bank)
EU	European Union
FAO	Food and Agriculture Organization
FIRST	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Program
FTA	Free trade agreements
FY	Fiscal year
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GP	Global program
GPG	Global public good
IAWG	Inter-Agency Working Group
IF	Integrated Framework for Trade-Related Technical Assistance
IFTF	Integrated Framework Trust Fund
IFWG	Integrated Framework Working Group
IMF	International Monetary Fund
IR	Integrated response
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least developed country
MDG	Millennium Development Goal
MFA	Multi-Fiber Arrangement
MFN	Most favored nation
MNA	Middle East and North Africa Region (World Bank)
MTS	Multilateral trading system
NA	Needs assessment
NGO	Nongovernmental organization
NTB	Non-tariff barriers
OED	Operations Evaluation Department (World Bank)
PRSP	Poverty Reduction Strategy Paper (World Bank)
QAG	Quality Assurance Group (World Bank)
QUAD	Quad countries (Canada, European Union, Japan, and United States)
SC	Steering Committee
SPS	Sanitary and phytosanitary
SSA	Sub-Saharan Africa
SSA	Sub-Saharan Africa
TA	Technical assistance
TRIPS	Trade Related Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UR	Uruguay Round
US	United States of America
VPU	Vice-Presidential Unit
WBG	World Bank Group
WBI	World Bank Institute
WDR	World Development Report
WHO	World Health Organization
WTO	World Trade Organization

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## Preface

**The global programs evaluation and its case studies.** At the request of the World Bank's Board of Directors, the Bank's Operations Evaluation Department (OED) has been conducting an evaluation of the Bank's involvement in global programs. This is the first independent evaluation the Bank has conducted of its global program portfolio. The Phase 1 Report, entitled *The World Bank's Approach to Global Program*, focused on the strategic and programmatic management of the Bank's global portfolio of 70 programs in five Bank Networks (a cluster of closely related sectors) and was presented to the Committee on Development Effectiveness (CODE) in June 2002. The second phase, of which this report forms a part, is based on case studies of the Bank's involvement in 26 global programs (see list on the next page) and will also be presented to CODE.

A meta-evaluation of the Consultative Group on International Agricultural Research (CGIAR), the first of the 26 case studies, was presented to CODE in April 2003. (Both the Phase 1 Report and the CGIAR meta-evaluation are available on OED's external Web site at [www.worldbank.org/oed/gppp](http://www.worldbank.org/oed/gppp)). OED reports typically contain recommendations only in those reports presented to the Bank's Board or its committees such as the Committee on Development Effectiveness (CODE). While the case studies that underlie OED's Phase 2 Report were not presented to CODE individually, they were distributed in draft to program partners to obtain their feedback, which was taken into account in the final versions of each report before being disclosed to the public.

**Approval of global programs.** Since November 2000, the Bank's involvement in all new global and regional programs has had to be approved at the initial concept stage, based upon the six approval criteria in Annex A, Figure A.1, by the managing director responsible for the Network or Regional Vice Presidential Unit advocating the Bank's involvement. Such approval then authorizes the respective VPU to enter into agreements with partners and to mobilize resources for the program – whether from the DGF, trust funds, or the Bank's administrative budget. Both before and after November 2000, the Bank's participation in some high-profile programs – such as the Global Environment Facility, the Multilateral Fund for the Implementation of the Montreal Protocol, the Prototype Carbon Fund, and the Global Fund to Fight AIDS, TB, and Malaria – has been considered and approved by the Bank's Executive Board.

**Oversight and management of global programs.** Within the Bank's matrix management structure, Network Vice-Presidents are responsible for overseeing and managing their portfolios of global programs. They are responsible for establishing priorities among programs in their Network, for ensuring their coherence with the Bank's strategy for each sector, for sponsoring applications for DGF grants, for managing those programs that are housed inside the Bank, for fostering links to the Bank's country operations, and for promoting synergy among programs within the Network, with the rest of the Bank, and externally with partners.

Regional Vice-Presidents are similarly responsible for overseeing and managing the portfolio of regional programs and partnerships in their respective regions. While regional programs are not covered in this OED evaluation, many global programs have strong regional dimensions. These regional issues of global programs are treated in this review as well as the links between the network management of global programs and the Bank's country-level economic and sector work, lending, and policy advice.

## List of 26 Case Studies in Phase 2 of OED's Evaluation of the Bank's Involvement in Global Programs

Acronym/ Short Form	Full Name	Operational Start Date	Size (US\$ millions) <sup>1</sup>
<b>Environment &amp; Agriculture</b>			
1. CGIAR	Consultative Group on International Agricultural Research	1972	395.0
2. GEF	Global Environment Facility	1991	387.53
3. MLF	Multilateral Fund for the Implementation of the Montreal Protocol	1991	158.6
4. ProCarbFund	Prototype Carbon Fund	2000	6.5
5. CEPF	Critical Ecosystem Partnership Fund	2000	20.19
6. GWP	Global Water Partnership	1997	10.25
7. GIF	Global Integrated Pest Management Facility	1996	1.3
<b>Health, Nutrition &amp; Population</b>			
8. TDR	Special Programme for Research and Training in Tropical Diseases	Dec 1975	47.5
9. Global Forum	Global Forum for Health Research	Jan 1997	3.07
10. UNAIDS	Joint United Nations Programme on HIV/AIDS	Jan 1996	95.0
11. RBM	Roll Back Malaria	Nov 1998	11.4
12. Stop TB Partnership	Stop TB Partnership	July 1999	20.8
13. GAVI	Global Alliance for Vaccines and Immunization	Oct 1999	124.1
<b>Infrastructure &amp; Private Sector Development</b>			
14. WSP	Water and Sanitation Program	March 1978	12.4
15. ESMAP	Energy Sector Management Assistance Programme	Jan 1982	7.58
16. CGAP	Consultative Group to Assist the Poorest	August 1995	12.67
17. infoDev	The Information for Development Program	Sept 1995	6.07
18. PPIAF	Public-Private Infrastructure Advisory Facility	Dec 1999	15.61
19. CA	Cities Alliance	Dec 1999	13.25
<b>Social Development &amp; Protection</b>			
20. PostConFund	Post-Conflict Fund	1998	10.6
21. UCW	Understanding Children's Work	2000	0.56
<b>Trade &amp; Finance</b>			
22. IF	Integrated Framework for Trade-Related Technical Assistance	1997	2.71
23. FSAP	Financial Sector Assessment Program	May 1999	10.46
24. FIRST	Financial Sector Reform & Strengthening Initiative	July 2002	4.64
<b>Information &amp; Knowledge</b>			
25. GDN	Global Development Network	Dec 1999	8.67
26. World Links	World Links for Development	1998	6.52

/1 FY04/CY03 expenditures. For the following cases updated, audited data was not readily available so the previous fiscal or calendar year expenditures were used: Global Integrated Pest Management Facility, Water & Sanitation Program, Integrated Framework for Trade-related Technical Assistance.

**Internally and externally managed programs** pose different sets of oversight and risk management issues for the Bank, both of which are being explored in the Phase 2 Report. Of the 70 global programs supported by the Bank in 2002, about 30 were managed inside the Bank, 30 were managed by partner agencies outside the Bank, and 10 were self-standing independent legal entities. Information on the internally and externally managed programs is not uniformly available.

*The primary focus of this background paper, as of the other case studies, is on the Bank and on the strategic role that it has played, and might play in the future to ensure the development effectiveness of global programs.* Yet, since the Bank is only one partner among many, it is difficult to evaluate the Bank's role without assessing the nature, performance, and impact of each global partnership as a whole and the effect that the partnership has had on the performance of the Bank and vice versa. Moreover, the Bank's role in their governance and management is not as direct and as strong as it is in the case of programs that the Bank chairs and houses.

**The Bank's financial support for global programs** – including oversight and liaison activities, and linkages to the Bank's regional operations – comes from the Bank's gross income (for DGF grants), the Bank's administrative budget, and Bank-administered trust funds.

**Evaluation sources and instruments.** The OED evaluation team has conducted a meta-evaluation of previous evaluations of this program and a review of secondary information sources, including program documents, annual reports, DGF documents, trust fund documents, related sector strategies, and literature reviews. In addition, the team gathered primary source information from stakeholder interviews, surveys of program partners, and field visits to developing countries and program partners.

**Key interlocutors** included Bank managers of task teams and global programs, senior World Bank managers (Network and Regional Vice-Presidents, sector and country directors, and sector managers), and Bank staff involved in the DGF secretariat and Trust Fund Operations. Outside the Bank, key informants included staff of partner organizations and some developing country representatives.

**Interviews** were conducted with Bank task managers for global programs, with operational managers, and with Bank task managers. An earlier draft of this report was circulated and its key findings were discussed at a meeting of the Integrated Framework Working Group (IFWG) hosted by the IF secretariat at the WTO in Geneva on May 7<sup>th</sup>, 2004. Comments received from the participants are reflected in this version of the report.

**Relationship to other evaluations.** OED conducted an evaluation of the Integrated Framework program in 2000. This evaluation also draws on the results of the external evaluation carried out in 2003. This review differs from the previous evaluations of IF in several respects. First, it draws cross-cutting lessons pertaining to *global program issues, basing these lessons on the information that was available from evaluations, other documents, and interviews.* Second, it benefits from the perspective gained through assessing global programs in various other sectors, allowing it to identify generic issues across sectors, the results of which will be presented in the Phase 2 Report. Third, it focuses *specifically on the role of the Bank* in the global program partnership to learn lessons from information routinely collected and used by the Bank to assess the need for Bank involvement in global programs.

However, many of the processes that systematically and routinely apply to the Bank's country-level investment operations – such as preparation, appraisal, negotiations with borrowers, routine oversight, mid-term reviews, self-evaluations by Bank staff and borrowers, and independent evaluations of outcomes and Bank and borrower performance – do not exist for global programs. Similarly, many of the concepts and definitions used in global programs are new, vaguely defined, and not uniformly interpreted by all concerned parties. Basic information on financing arrangements and on the roles and responsibilities of the Bank as a partner are not always clear or easily available. Hence, this OED evaluation has had to explore

new and often untested ground, attempting to clarify concepts and then apply them. These case studies are not intended to be a full-fledged independent evaluation of each global program. Based on the recommendations of OED's Phase 1 Report and the CGIAR Meta-Evaluation, Bank Management and OED are in the process of putting in place systematic processes, procedures, and reporting arrangements for global programs. These previous reports, the case studies, and the Phase 2 Report based on their lessons are all intended to assist in this effort.



## Executive Summary

### GENESIS, OBJECTIVES, AND ACTIVITIES

1. The Integrated Framework for Trade-Related Technical Assistance (IF) was established in 1997 as a trade-focused tool to accelerate poverty reduction and improve economic performance in the least developed countries (LDCs). IF was intended to strengthen and streamline the trade-related assistance delivered by the Bank and five other agencies (ITC, IMF, UNCTAD, UNDP, and WTO) to 49 eligible LDCs via three activities: help LDCs meet WTO requirements and ensure the compatibility of laws with WTO commitments; assist in devising strategies to benefit from Uruguay Round (UR) agreements and ensure trade regime conformity to UR; and enhance LDC capacity to analyse trade policies and problems facing the external sector.

2. An OED evaluation of the program in June 2000 found that IF had a limited pay-off because of lack of clear priorities, ill-defined governance structure, and a low level of funding. The heads of the six agencies decided to address the identified weaknesses. The Sub-Committee of the WTO on Least Developed Countries adopted the Integrated Framework Pilot Scheme in February 2001, which continues to govern IF operations.

#### Portrait of a Global Program: The Integrated Framework

Established:	1997; redesigned in 2001
Objective:	To better integrate LDCs into the multilateral trading system and enhance the benefits they receive
Implementing Agencies:	World Bank, WTO, UNCTAD, UNDP, ITC, IMF
Participants:	32 countries, 17 bilateral and multilateral donors
Funding:	As of January 31, 2004, \$21.1 million pledged: \$13.1 million for Window I, \$8 million for Window II
Projects:	Studies completed or near completion for 13 countries; preparatory activities for 6 countries begun in CY 2004
Activities:	Diagnostic studies of trade constraints; capacity building

### DESIGN AND IMPLEMENTATION

3. Under its revamped design, IF's objectives are two-fold: mainstream trade into development plans and poverty-reduction strategies, and deliver trade-related technical assistance. It is governed by a two-tiered management structure: the program's Steering Committee (SC) and the Inter-Agency Working Group (IAWG). Financing for activities under the revised program is provided through its UNDP-managed IF Trust Fund (IFTF). As of January 31, 2004, total pledges to IFTF amounted to \$21.1 million, including cumulative pledges of \$13.1 million to IFTF Window I and \$8 million to Window II. Serving as the principal implementing agency for IF country studies, the Bank has pledged \$1.8 million in Development Grant Fund (DGF) funding for three years, ending in FY04. IF finances the diagnostic trade integration study (DTIS) to examine a country's trade potential and major bottlenecks to improve trade performance. The program fine-tuned its DTIS-based approach through pilot studies in Mauritania, Madagascar, and Cambodia in 2001, followed up by national workshops held in Cambodia and Mauritania. In October 2001, IF was extended to 11 additional LDCs. At the time of writing, all DTISs and workshops had been completed,

except Mali. Some 32 countries had participated in IF. The program's most successful example is Cambodia, which has actively embraced the trade agenda, recently achieved entry into the WTO, and attributes some of this success to the IF. This example illustrates the potential for positive impact of a well-financed and well-organized IF. The program established Window II to provide a limited amount of technical assistance for eligible countries in response to the DTIS process that has created demand and increased expectations because funding at the country level had not materialized and was not likely to materialize quickly from donors, CGs, roundtables or as part of the PRSP process. A ceiling of \$1 million per country had to be imposed on TA provision because of limited resources in Window II and a large demand. Because of insufficient information on the commitments pledged and actually contributed, it remains unclear how big the gap is between the supply of and the demand for TA.

4. In November 2003 the Capra-Trade Facilitation Office Canada Consortium (Capra-TFOC) published an external evaluation of the redesigned program. It concluded that IF's operational approach was "carefully crafted, is entirely appropriate and is a sound approach capable of achieving positive results." At the same time, the review noted that achievement of concrete results in countries had been "highly variable," and that IF would benefit from a results-based management approach, with measurable goals and outcomes. The review also noted a common perception among developing countries, best articulated by the representative of Bangladesh, that IF "is or should be a funding mechanism," underscoring a continuing divergence in the expectations of LDCs and the position of the participating international agencies concerning IF's role. Despite noting a strong ownership of IF within the Bank and its partnering donor agencies, the evaluation found that developing country ownership had been limited.

5. Following the review's submission, the IF Working Group (IFWG) formulated a new work plan that pledged increased efforts to follow up on DTIS recommendations and incorporate findings into development planning tools. The work plan also committed IF to work with partners and governments to address assistance priorities identified in studies and to strengthen the IF Secretariat. However, IFWG felt that adopting a results-based-framework would unduly increase the burden on the IF Secretariat. Instead, it opted to focus on what it perceived as bigger process bottlenecks, including enhancing the commitment of donors and the governments of beneficiary countries in mainstreaming IF concerns into the PRSP process and making the Secretariat more proactive. The IF Secretariat, located in Geneva, has limited resources, and most of the action on government response and donor coordination has to happen at the country level. While the IF now has a monitoring matrix and requires a focal point in each country, some focal points allocate insufficient time or fail to attend relevant meetings. The IFWG also urged development partners to work with committed IF partner governments to respond to its TRTA priorities with concrete development assistance. This, it stressed, would require an early involvement of donors in the IF process. These two prerequisites for a successful process are expected to be emphasized in the new countries.

## OED FINDINGS

### **Relevance: Are the Program's Objectives Right?**

6. IF was conceived in response to a perception that collective action is needed to ensure LDC compliance with WTO obligations and their full integration into the world trading system. Heavily dependent on commodity exports, LDCs have faced declining terms of trade for their traditional exports and trade barriers for processed agricultural commodities, a need to diversify exports, and severe infrastructure and skill constraints. Given the Bank's objective of poverty reduction, the role of economic growth in poverty reduction, and the link between increased trade and economic growth, this OED review considers IF objectives as relevant. Yet, the program's country-by-country approach to addressing trade obstacles can achieve only a limited set of outcomes, since external market access and domestic supply constraints tend to also be a significant barrier. Nevertheless, there is a strong case for the Bank's participation in the program, given its comparative advantage in linking global and country issues, engaging in dialogue with governments, and integrating trade, development, and sector strategies. The Bank can add significant value by strengthening country-level trade strategies and investments attempted by IF, particularly if they coordinate with the Trade Facilitation Initiative adopted in Cancun and as a complement help improve the global public policy environment for trade for developing countries.

### **Efficacy: Has the Program Achieved Its Stated Objectives?**

7. Each program goes through an evolutionary process and its assessment depends in part on the time period at which its performance is assessed. The emerging evidence indicates that IF is beginning to mainstream trade into country-level development strategies. This may result in more trade-friendly Bank lending activities in participating countries, although relatively few Bank lending operations are currently the direct result of IF country studies. Yet, while the reflection of IF concerns in the countries' planning documents and the poverty reduction strategy papers is necessary, it is not sufficient to ensure outcomes and impacts on trade, as the experience of the program to date demonstrates. Out of the 13 developing countries in the implementation stage of the IF work programme, three have fully covered trade in their PRSPs (Cambodia, Mauritania, Madagascar), most countries had covered trade partially or are expected to cover it in their next PRSPs, while the PRSPs of three countries had limited trade content. However, an OED review of the PRSP process in 2004 observed that most PRSPs have not explored the full range of policy options to achieve growth and development, with their focus being largely on public expenditures and social sectors. While donors have improved the PRSP process, they have not changed the content of their assistance.

8. Currently the program focuses mainly on studies, and it provides a small amount of follow-up technical assistance to improve the capacity of developing countries as bridging finance until other funding materializes. OED interviews revealed that, while Window II was being implemented, other parts of the matrix were often not, due to the lack of donor awareness, developing government action, and adequate implementation plans for the matrix. Moreover, the bridging funding of \$1 million per country is dwarfed by the needs identified by the IF studies and the demands prompted from developing countries. New pledges

received for both Window I and Window II have also been decreasing since the program's inception. Lack of commitment to and awareness of the DTIS process by the relevant stakeholders in the developing countries may have also hindered its success, indicating the need to define and ensure IF-related commitments of authorities and donors.

9. To improve trade outcomes, in addition to catalysing substantially larger amounts of technical assistance, IF activities must produce investments in physical and institutional infrastructure, particularly in traditional export sectors such as agriculture. Even in the more successful IF countries such as Cambodia, as the recent OED study of PRSP indicates, productive sectors receive limited attention. Trade concerns, when they are expressed in PRSPs, do not necessarily result in trade-related investments. OED's study of HIPC countries stressed that this is in part because investment needs for trade compete with other much needed country-level investments in such areas as health and education, which donors have been actively pressing developing countries to undertake. At the same time, overall aid and rates of investment have not been growing in the least developed countries. Some country economists stressed that, although IF significantly contributed to raising awareness of trade issues within the Bank, among donors and in client countries, many client countries need additional resources to implement DTIS recommendations. Evidence on the mobilization of additional investment resources based on DTIS is limited. Country economists stress that the gap in available sums for investments and the gap in expectations between developing countries and donors persist.

10. Another issue facing IF is the strategic directions of the trade expansion. The Capra-TFOC external evaluation supports the alleviation of constraints faced by individual exporters. While the IF is intended to provide country-by-country support, the extent to which it indirectly changes the trade-related global public policy environment is of considerable interest. One such trade-related issue is LDC negotiating capacity to achieve better trade outcomes in the external markets. For that to occur, various tariff and non-tariff barriers linked to their exports to developed countries need to be removed. The lack of a competitive market environment in developed countries is an important constraint, for example in agriculture, as evidenced by WTO's ruling in April 2004 on U.S. cotton subsidies. A recent study indicates that subsidy cuts for domestic support in OECD's would have negative welfare effects on developing countries, suggesting that developing countries should devote more attention to issues of market access rather than to cuts in domestic support. Studies provide many examples, yet leave questions unanswered, such as how to address the impact of increasingly stringent developed country health and quality standards with which LDCs must comply.

11. Another area of potential benefit of the IF is increased awareness in developed countries of the impact of trade issues on developing country prospects for growth, including their entry into the WTO. On both these fronts, IF may have heightened national, international, and donor awareness of the role played by trade in growth and development, although attribution of this to IF is difficult.

12. WTO staff members also observe that working with IF has increased the awareness of development issues in WTO-related documents. The increased public profile of market-access problems LDCs face may pressure developed countries to act on politically unpopular and difficult issues such as their agricultural subsidies and safety standards. IF is indirectly

promoting multi-country analysis such as that promoted within the Bank and by other stakeholders. Yet, progress in international negotiations on the OECD agricultural trade and subsidy issues - which offers potential for increasing export prospects - has been slow. IF's recent move toward a more strategic approach to cooperation with trade efforts like JITAP – a joint WTO/UNCTAD/ITC effort to support developing country integration into the world trading system – is a positive way to leverage IF resources and broaden the impact of country studies.

13. IF has enhanced coordination among agencies providing TA. Nevertheless, partnering agencies hold different perspectives, each with their traditional specialization and expectations concerning IF's potential value-added to their line of business. Thus, the external evaluation concluded that significant change in the structure and operational mode of IF's Working Group would achieve a more cohesive decision-making process that transcends interests of individual partnering institutions. IF has also improved coordination in a few countries between the ministries of trade and finance and planning and between the public and private sectors, Cambodia being the best example. But donor staff suggest that awareness of trade issues in key ministries of most client countries is still limited, which the sub-regional consultations are expected to help increase. OED concurs with the external evaluation that, at least initially, IF's benefits for donors and international agencies in terms of additional resources to conduct activities in the areas of their specialty may have been greater, and that it will take time to demonstrate benefits to developing countries.

14. This OED study also concurs with the conclusion of the Capra –TFOC evaluation that IF needs to establish a range of concrete country-level outcomes and related performance indicators, with a focus on results and on monitoring outcomes and impacts. IF governance would also be enhanced by a more thorough integration of results-based management processes, systems, and measurement tools. Moreover, it is necessary not only to improve tracking of developing country performance outcomes, but also to monitor changes in the policies, processes, and practices of international agencies and donors that currently inhibit trade performance of the least developed countries, which are highlighted in the DTISs. As part of IF's greater results-orientation, it could systematically collect evidence on changes in the substantive content of the partner policies as they affect trade-related outcomes and impacts in LDCs in such areas as resources for technical assistance, investments and market access. Routine publication of such information would provide an additional impetus to international agencies and donors to improve their collective behavior.

### **Efficiency: Has the Program Been Cost-Effective?**

15. It is still too early to assess if IF's benefits and efficiency in mobilizing new resources for LDC trade development outweigh its high transaction costs in developing (largely donor) partner consensus. The quality and the focus of studies has improved over time. Yet, there is debate about the cost effectiveness of the program, in terms of the DTIS at \$250,000 to \$300,000 each, since they need to be followed up by additional assessments of TA and investments to achieve increased export performance.

16. The Window II funding arrangements stress the program's promise as well as its limitations with respect to cost-effectiveness. IFWG has raised concerns about the procurement rules used to select executing agencies for Window II projects, the quality of

projects proposed, whether they conformed to TORs, and the use of Window II money to finance the often costly recruitment of international advisors. The Group has agreed that it was up to the country itself to decide on the most appropriate use of funds.

17. The benefits to developing countries of increased international trade awareness at the global level are hard to assess relative to the high costs of a complex inter-agency program such as the IF. The Bank's regional staff see clarifying financing arrangements for the investment needs identified by DTIS as a key priority. In contrast, staff members from DEC/PREM view IF's impact and value to the Bank in such terms as the follow-up activities of trade information tools in Cambodia, assistance to Madagascar in trade reform, a fisheries project in Senegal, trade and transport audits in Malawi, Zambia, and Mozambique, and WBI training activities in several countries. While these are important indicators, their impact on trade performance remains to be seen.

### **THE ROLE OF THE BANK**

18. Assisted by support from DFID and BNPP for staffing of the Development Economics Vice Presidency, global trade issues have become more important in the Bank's work. Bank staff and managers have stressed that mainstreaming trade policy reforms and related investment remains a high priority. Yet, is IF effectively bridging the Bank's work in trade between the global and the country levels, given that the Bank is in a key position to lend to developing countries or to help developing countries mobilize additional donor resources for trade-related investments? Does the program provide more value in a flexible manner than a similar program implemented through the Bank's regular operations using its own budgetary resources?

19. The Bank participation has added resources and value to IF's global trade-related policy and regulatory analytical work and has improved country-level studies and dialogue on a scale that the Bank's administrative budget would not permit. Country-level work can already better inform the larger global policy debate on the market-access problems of developing countries. Yet, the Bank has exploited its comparative advantage more at the global level than at the country level. Linkages between the IF and country-level processes are not well established.

20. Preparation of this case study also revealed divergence in perceptions of IF within the Bank. IF is carried out by the Development Economics Vice Presidency and PREM, whereas operational work is carried out in the Bank's six regions. The lack of ownership by the Bank's regional staff of the program at the outset, as a supply driven mandate at the country level, led the Development Economics Vice Presidency and PREM to provide resources to regional economists for the management of DTIS, to increase ownership of IF and mobilize trade-investment resources through Bank- and donor-delivered lending, credits, and grants. This decentralization has been successful at the regional level. But it has not fully reached the Bank's country economists. Lack of on-the-ground presence may have also weakened the program's effectiveness. The program needs to collaborate effectively with regular Bank operations so that trade related assistance is not only reflected in PRSPs but also in the Bank's country assistance strategies. Interviews also indicate a gap in the perception of needs between trade experts participating in the studies and Bank's country and field specialists. Greater involvement of Bank country operational and functional specialists and developing

country nationals in IF-organized activities such as the regional workshops and seminars would improve ownership and impact on the Bank's client countries.

21. The Trade Facilitation Initiative, a new Bank initiative announced at the Doha Round in Cancún, Mexico, to provide a full menu of trade support for countries, including specialized expertise and financial support might bring IF to the cutting-edge of Bank work or marginalize it. An IF strategy of pro-active engagement with the initiative would demonstrate support for the initiative and highlight IF's own value-added. Resolution of funding issues for the new initiative and IF is needed to ensure that trade assistance does not end up as one more unfunded mandate and item on a wish list for donor support.

## FINDINGS AND LESSONS

22. **Despite the restructuring, some of the weaknesses of the original program remain, including insufficient focus on improved trade outcomes rather than on the process alone, and the shortage of resources to meet the mounting demands for technical assistance in developing countries.** Moreover, even the revamped IF does not address the various external market access and internal supply constraints that the studies identify and that matter most to developing countries. IF may have contributed to placing trade back on the development agenda of LDCs through the joint work of international agencies. But the objective of fully mainstreaming trade in PRSPs and other development planning documents needs to extend to improving the level and content of aid and trade policies of developing countries and donors beyond what even the redesigned IF achieves. This calls for holistic, results-based program management processes to achieve improved trade outcomes for developing countries. These need to be combined with on-the-ground action, well-defined roles of partners, and minimum transaction costs, supported by the necessary financial and administrative resources for a program that has now created too many expectations on which it is unable to deliver.

23. **A results-oriented approach may help in the design of a more responsive and appropriate program.** A related issue is whether a program has the right objectives or has merely adopted the objectives that fit the available financial resources and the agreed partnership and management arrangements. A growing number of program-level evaluations are now using results-based frameworks, including the Capra-TFOC external evaluation of IF and the OED evaluation of the program in 2000. Such evaluations tend to recommend that programs adopt management practices, develop performance indicators related to outcomes rather than outputs alone, and generally adopt more businesslike management practices. OED agrees that IF needs to focus on and monitor results and impacts *at the country level* in addition to its current practice of monitoring process and outputs, in the form of number of studies completed and reflected in PRSPs, at the global program level. IF also needs to incorporate the appropriate country-level management strategies and measurement tools to ensure country-level results. Achieving this will require better governance and a more holistic view of the program, as well as the development of program outcomes and impact at all levels and for all partners. The recent steps taken during the last meeting of the IFWG to request countries to complete a questionnaire indicating specific information on the implementation process, and the identification of gaps by donors and governments in Senegal and Madagascar are encouraging signs. The question is whether the program will evolve

rapidly to be more results-oriented in terms of demonstrating its effectiveness in achieving specific outcomes (changed policies, increased investments and improved regulatory framework) and impacts (improved trade outcomes for developing countries in such areas as increased export volumes and prices).

**24. Divergence in expectations between the intended beneficiaries and donors designing programs results in insufficient ownership.** IF illustrates the sharp contrasts in the objectives and expectations of industrialized and developing countries. Industrialized countries want to improve the domestic policy and regulatory framework in developing countries, but the financial mechanisms to be worked out through the PRSP process are neither adequate nor working well. This priority of industrialized countries is generally reflected in the donor message that actions will follow once the DTIS concerns are reflected in PRSPs. At the same time, developing countries are demanding more resources for technical assistance to meet the domestic training, institutional and procedural gaps, and investment resources to address internal supply constraints. They are also asking for access to open and fair markets for their products in industrialized countries. In addition, the substantial divergence in agency/country expectations on whether IF should be providing countries with the additional financial resources to act on DTIS recommendations bolsters the impression that IF lacks developing country ownership because it is largely seen by countries and some in the international organizations as run by and for the six international agency partners.

**25. Developing countries may see the unstated objective of enhancing donor and international agency partnerships as IF's real focus, rather than its stated objectives of mainstreaming trade into country development and delivering trade-related technical assistance.** While donor cooperation at the global level is a positive phenomenon, donor global and country links, and donor cooperation or awareness of the IF at the country level are weak. The program provides for very few resources to ensure the development of understanding and cooperation at the country level, and it cannot substitute for the lack of developing country ownership noted by the Capra-TFOC evaluation. Increasing IF's focus on the needs of countries, improving governance, and redoubling its efforts to go beyond identifying to actually meeting country needs, would go far in changing this perception.

# 1. Introduction and Context: Global Challenges in the Sector

## THE GLOBAL CHALLENGE: TRADE SYSTEM INTEGRATION

1.1 Heavily dependent on commodity exports, many of the world's least developed countries (LDCs) face the same trade-related problems: declining terms of trade and trade barriers, particularly for processed agricultural commodities, a need to diversify export baskets, and severe infrastructure and skill constraints (Box 1). As a result, export growth in LDCs has lagged behind the rest of the world, with few LDCs using export expansion to achieve economic growth and reduce poverty. Although LDC economic performance improved in the second half of the 1990s, it lagged behind the rate of economic growth in other developing countries and developed market economies. The income gap between industrialized countries and LDCs grew considerably between 1980 and 1998. Although per capita annual growth rate of the average LDC increased from -0.1 percent in the 1980s to 2.4 percent in 2000-2002, the gap continued to increase.

### Box 1. Internal and External Constraints to LDC Export Growth

#### *Internal Constraints:*

- Inadequate transport and other infrastructure supporting effective competition in export markets
- High concentration on a few export commodities as principal export earners
- Lack of adequate institutional and human capacity to analyze and eliminate barriers to export growth
- Weak understanding of export market regulations, product standards, and consumer preferences; lack of specific, up-to-date market information

#### *External Constraints:*

- Trade-related barriers, including tariffs, country and product quotas, trading pacts and preferential accords
- Weak or variable demand in international markets for the commodity-based export menu offered by most LDCs
- Strict phytosanitary, health, and quality standards and frameworks in industrialized countries
- Industrialized country-oriented environmental and labor regulations applied to products from LDCs

1.2 Economic growth in African LDCs has been especially weak, with the slow pace of export growth contributing to the problem. Although per capita exports grew by over 250 percent in South Asia and more than 750 percent in East Asia between 1970 and 1997, exports from African countries showed little improvement. Africa's share of world exports was halved from an already low share of 0.8 percent in 1980 due to a large decline in the region's share of non-fuel primary exports and small share of manufactured exports.<sup>1</sup>

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1. The cumulative effect of the decline in terms of trade between 1970 and 1997 was 119 percent of GDP.

### **Box 2. What Are Global Programs?**

Global programs are defined as partnerships and related initiatives whose benefits are intended to cut across more than one region of the world and in which the partners:

- Reach explicit agreements on objectives
- Agree to establish a new (formal or informal) organization
- Generate new products or services
- Contribute dedicated resources to the program

### **INTERNATIONAL CONSENSUS FOR GLOBAL COLLECTIVE ACTION**

1.3 There is a strong international consensus on the need for collective action in the area of trade to reduce poverty in LDCs. Eradication of extreme poverty and hunger is a Millennium Development Goal (MDG) and a World Bank corporate objective. A key MDG target is to halve the proportion of people living on less than a dollar a day between 1990 and 2015.

1.4 Despite continued debate on the precise causal linkages, most agree that economic growth supports poverty reduction and that improved export performance supports economic growth. The acceleration of growth – particularly if it occurs through export expansion – can have a telling effect on poverty, as developing countries specialize in labor-intensive goods. Developed and developing countries agree that global collective action to reduce poverty will be more effective if LDCs can be better integrated into the world trading system. This consensus is reflected in widespread support for the trade-focused development programs of the World Trade Organization (WTO) and other agencies, including those of the World Bank. It is also reflected in the frequent demands of the Executive Directors of the World Bank and the IMF, and the Development Committee that the international financial organizations do more in the area of trade.

1.5 It is widely acknowledged that full integration of developing countries into the world trade system requires that countries achieve compliance with WTO obligations. LDCs want fuller world trade participation. The countries are well aware of the importance of WTO compliance in achieving this goal, a fact reflected in the number of countries applying for WTO accession and the requests for help in carrying out multilateral negotiations.

## **2. Program Alignment With Global Challenges and Bank Priorities**

### **OVERVIEW OF THE PROGRAM**

2.1 Established in 1997, the Integrated Framework for Trade-Related Technical Assistance followed from the WTO Plan of Action for the Least Developed Countries, adopted by trade ministers at the First Ministerial Conference of the WTO in Singapore in December 1996. The IF was geared toward addressing constraints to export growth by improving the “efficiency and effectiveness of the trade-related TA and capacity building already being provided by the agencies in the light of information about the specific needs of each country and about current and projected activities being undertaken by other agencies in the area.”<sup>2</sup> The program was designed to provide better coordination and to be demand-driven to better suit the countries’ needs. The main elements of the program were initially:

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2. See footnote 4.

- Institution building, by enhancing institutional capacity to make and implement trade policies
- Strengthening export supply capacities, by directly removing bottlenecks to increased production of exportables and increased export competitiveness
- Improving trade-related services such as credit and providing advice on standards, packaging and quality control
- Modernization of the operation of customs and other government agencies involved in export activities.

2.2 With the involvement of six agencies –WTO, United Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), International Trade Center (ITC), International Monetary Fund (IMF), and World Bank – the program originally consisted of three types of demand-driven activities: (1) TA to help LDCs meet their WTO requirements, (2) to devise strategies for LDCs to benefit from Uruguay Round (UR) related opportunities while reducing the administrative burden on the LDCs in conforming with trade agreements, and (3) to ensure compatibility of the country's legal framework with WTO commitments. The program provided TA to help the countries<sup>3</sup> enhance their capacity to analyze trade policies and problems facing the external sector. Synergies were expected from cooperation among the six agencies in providing trade-related TA.

2.3 In a report dated June 6, 2000, an OED evaluation of the program found that TA had limited impact, and lacked clear priorities and a defined governance structure.<sup>4</sup> Nevertheless, organizers decided to continue the program. In retrospect, the heads of the six core agencies addressed only some of the weaknesses identified in the evaluation.<sup>5</sup> The WTO's Sub-Committee on Least Developed Countries adopted the Integrated Framework Pilot Scheme at its 23<sup>rd</sup> Session on February 12, 2001.<sup>6</sup> This scheme continues to govern the program's operations, albeit with some major changes.

2.4 Under the revised IF, diagnostic studies now concentrate on such issues as global market access for LDC exports, trade-related policy and regulatory issues, provision of trade services like transport and customs facilities, trade credit supply, export prospects within specific sectors, and potential service exports to speeding up and intensifying IF benefits for sustained poverty reduction. Diagnostic studies also highlight market access in developed countries, which, if enhanced, would benefit producers as well as consumers.

2.5 Primary responsibility for the implementation of the studies rests with the six agencies. The division of responsibilities among them is as follows: WTO houses the secretariat, UNDP manages IF's trust fund, the World Bank carries out diagnostic studies, ITC and UNCTAD provide technical assistance, and IMF provides information on macroeconomic performance. Donor-LDC partnership in design and implementation of the program has increased with joint

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3. Finger, M. and P. Schuler 2002, p. 511-25, estimate that for many countries the cost of complying with the requirements would exceed the aid they receive.

4. Rajapatirana et al. 2000.

5. Sub-Committee on Least Developed Countries. WT/LDC/SWG/IF/2, 12 July 2000.

6. World Trade Organization 2001.

participation in the Inter-Agency Working Group (IAWG), which designs work programs, and participation in the Steering Committee, which provides an overall framework for the program's operation.<sup>7</sup> Such a partnership is geared to: i) enhance the coherence of advice on trade policy among donors and increase its acceptability in developing countries; ii) improve efficiency by reducing donor overlap, increasing synergies, and improving coordination; and iii) promote broad political support for the program.

## **IMPLEMENTATION EXPERIENCE UNDER THE REVISED PROGRAM**

2.6 Under the new IF, diagnostic trade integration studies implemented under the program's Window I category examine the potential role of trade in development strategies, identify constraints to increased export production, and examine shortcomings in export-support services and infrastructure. Formally, IF fine-tuned its DTIS-based approach through three pilot studies, conducted in 2001 in Mauritania, Madagascar, and Cambodia. Informally, experience with earlier studies informs subsequent studies. In October 2001, IF was extended to 11 additional LDCs – Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Malawi, Mali, Nepal, Senegal, and Yemen. At the time of the writing, DTISs had been completed in all 11 countries, except for Eritrea, where work was suspended due to the political situation, and Mali, where DTIS was nearly completed.

2.7 IF's Window II fund for capacity-building and technical assistance has been capped with a limit of \$1 million per qualifying IF country, given that the demand from developing countries exceeds donor contributions.<sup>8</sup> Window II funding was increased by partners primarily as a quick-disbursing bridging financing mechanism in response to increased demand from developing countries for technical assistance stimulated by the studies, until developing countries are able to mobilize additional resources from donors and their governments through the CGs, Round Tables, or programme support. At its meeting in February 2002 the IFWG agreed that the projects eligible for funding from Window II should be part of the Action Matrix, except for physical infrastructure projects. Projects must have been identified by the DTIS and the government as a priority, have the aim of helping the LDC to complete the mainstreaming process, and support the mainstreaming of trade into the PRSP or other national development plans. The first funded capacity-building effort was for Cambodia, which enhanced its negotiating capabilities for WTO entry, and helped the country gain entry into the WTO in 2003. Cambodia's entry into the WTO indicates the positive potential of a well-funded and well-organizing IF.

2.8 By July 2004, IF had considerably expanded its country-level focus over the pre-2001 program:

- The Bank was scheduled to present technical assessments at the cost of \$2.4 million in new projects for Sao Tome and Principe, Maldives, Sudan, Burkina Faso, the

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7. The entire membership of the WTO is eligible to attend the meetings of the Steering Committee and all the members are partners.

8. In the February 2004 report, IFTF administering agency, UNDP, noted that growing demand for funding for Window II activities has increased the need to tap new donor money for Window II, as opposed to the transfer of existing pledges from Window I to Window II.

Gambia, Rwanda, and Sudan. IF had also received requests for assistance from the Central African Republic, the Comoros, Equatorial Guinea, and Niger.

- Five countries that had already held Round Tables under the old IF – Tanzania, Uganda, the Gambia, Haiti, and Bangladesh – were participating in the new program.
- Implementation meetings to discuss follow up for the studies had taken place in Mauritania, Senegal, Nepal, and Madagascar.<sup>9</sup> In addition, national workshops had taken place in all countries with completed DTISs.

2.9 The program had recently carried out a technical review for Angola and was preparing technical reviews for the Central African Republic, Gambia, EQG, Haiti, Niger, Sierra Leone and Maldives. The IFWG decided to postpone the preparations of TRs for Comoros and Sudan. DTIS preparatory work was under way for a number of other countries, including Benin, Chad, Laos, and Zambia.

2.10 After IF was revised, the five countries that had already gone through extensive studies were given the choice of either continuing with the old program or becoming a part of the new program. Since starting over would mean starting afresh in the process, the five countries decided not to start over. Based on previous work, projects were presented at Consultative Group meetings or at roundtables for these countries, but they failed to attract donor assistance. The countries have since asked to become part of the new program. Having observed the experience of countries under the revised IF, the countries had begun to perceive trade mainstreaming as a successful strategy and wanted to participate. A number of other developing countries, including some middle-income countries, are now interested in receiving TA on country-relevant trade issues and have requested that IF be extended to include them. Yet, currently demand for assistance seems to greatly exceed supply.

## **RELEVANCE TO GLOBAL CHALLENGES AND BANK PRIORITIES**

2.11 IF objectives are relevant, and its country-by-country approach to addressing trade obstacles is valid. Overall, IF appears to fulfill the criteria for Bank partnership in a global program. The objective of the program is in consonance with the Bank's corporate objectives of reducing poverty, fostering an open trading system, and supporting the integration of developing countries into the world trading system. IF meets three of the Bank's four criteria for involvement in global programs: there is an international consensus that global action is required,<sup>10</sup> there is potential for value-added to the Bank's development objectives, and there is a significant comparative advantage for the Bank along the lines outlined below. Further

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9. During these meetings, several donors have expressed their interest in embarking on project preparatory discussions with the government.

10. There is widespread consensus among economists on the need for open trade policies. With the debate between import substitution and export-oriented policies now over, the issue has become how best to increase exports and what the proper role of government in an export-oriented strategy is. A danger for IF is that, instead of stressing the mainstreaming of trade into countries' development strategies, its trade-assistance focus would be more general. Successful trade assistance often requires the state to improve its regulatory framework and provide essential services. One useful role for IF studies could be to provide insight into the relative roles of the public and private sectors in increasing a country's participation in global markets.

integrating developing countries into the world trading system and enhancing their trade opportunities is one of the five global public goods (GPG) priorities identified in the Strategic Framework Paper. The program also fulfils the GPG of spreading information and knowledge.

2.12 Given the Bank's objective of poverty reduction, the relevance to the Bank of a program to integrate low-income countries into the world trade system is clear. There is a strong case for the Bank's participation in IF, given its comparative advantage in engaging in dialogue with governments, and in integrating trade, development, and sector strategies. The Bank could add significant value by helping improve the global public policy environment for trade, which adversely affects developing countries. Its multi-sectoral, country-level expertise can be an asset in addressing country market access and investment gaps that currently inhibit poverty-reducing growth.

### **POTENTIAL AND ACTUAL GLOBAL PUBLIC GOODS <sup>11</sup> PRODUCED BY IF**

2.13 IF complements national-level actions to increase LDC access to the global trading system. The potential for the production of trade-related global public goods is considerable. By supporting development of scientifically-based product standards and improved global market access for LDC products, IF could also contribute to a global public good. In addition, IF could produce regional public goods by alleviating common constraints that countries within regions tend to face, since 34 of the world's LDCs are in sub-Saharan Africa.<sup>12</sup> IF's diagnostic studies could also provide knowledge as a global and regional public good. For example, the studies could develop shared solutions for common problems such as a toolkit or menu of potential reforms to improve export supply capacity across countries.

2.14 Another potential knowledge-based public good IF studies can produce is increased understanding of the relative roles of the public and private sectors in export promotion. For example, IF can contribute to the reduction of developed country barriers for LDC exports by developing better common negotiating strategies or leveraging moral suasion by showing the negative impact on the world's poorest of developed country policies that limit market access for LDC exports, such as high tariffs and standards.<sup>13</sup> In addition, IF capacity-building activities can provide global public goods by strengthening LDC capacity to negotiate more effectively at the global level, resulting in positive changes in global trading rules. Finally, the studies can provide a public goods function by demonstrating the country-by-country

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11. For a discussion of the concepts of public goods and merit goods, see OED's *The World Bank's Approach to Global Programs: An Independent Evaluation-Phase I*, June 2002.

12. Mainstreaming trade into the development strategy of one country can benefit surrounding countries, as export-led increases in prosperity and income creation can spill over borders. One argument is that IF spillover effects could be negligible, as LDCs seldom provide substantial markets for products from neighboring countries. However, market potential depends on the time horizon of the analysis. For instance, Korea was an insignificant market 40 years ago; in another example, China's import capacity has increased phenomenally in the last 20 years, making it the eighth largest importer of goods and tenth largest importer of commercial services in 2000. (WTO 2001.)

13. The Executive Directors from developing countries at the Fund stressed problems with market access to the developed countries. These EDs wanted the Fund to pay more attention to market access issues in Article IV consultations and reports.

costs of meeting strict developed country product and safety standards, which are not necessarily supported by scientific evidence.<sup>14</sup>

### 3. Outcomes, Impacts, and Sustainability

#### OED EVALUATION OF THE ORIGINAL PROGRAM

3.1 The June 2000 OED evaluation that led to IF's redesign found that the original IF, implemented between 1997 and 2001, failed to meet many of its objectives. Although IF achieved a degree of success, positive results were concentrated in countries with committed governments and involved international agency staff. Problematic issues cited by the 2000 OED evaluation include:

- LDCs and donors had different perceptions regarding IF objectives.
- IF processes did not lead to a prioritization of TA needs.
- IF was not sufficiently demand-driven and related to LDC development strategies.
- Governance was weak and division of responsibilities between agencies unclear.
- Coordination among LDCs, donors, and agencies was difficult.
- As an unfunded mandate outside the development mainstream, IF attracted uneven donor support.

3.2 Donors and agencies adopted one of the options identified in the OED evaluation – continuation of the IF – but with changes to deal with the identified shortcomings. The major changes were to clarify program objectives, priorities, and linkages with the overall assistance strategy; monitor trade-related TA along with other programs in countries; promote program ownership among participating LDCs; strengthen governance, administration, and coordination; and provide more funding for IF. The revised program placed greater emphasis on mainstreaming trade policy and strategy into a country's development strategy, to be achieved through inclusion of trade in a country's PRSP. The revamped program also stressed linkages between trade and sector development. Finally, the redesigned program focused more intensely on enhancing the capacity of countries to analyze issues related to the external sector and formulate policies to tackle these issues.

3.3 The revised IF was geared to address constraints to export growth by improving the efficiency and effectiveness of the trade-related TA and capacity-building *already being provided by the agencies* in the light of information about the specific needs of each country and about current and projected activities being undertaken by other agencies in the area. The redesigned program would provide enhanced coordination and would be demand-driven to better correspond to countries' needs. Its ultimate objective is to better integrate LDCs into the multilateral trading system and enhance their ability to participate in and benefit from the world trading system.

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14. With assistance, LDCs may be able to negotiate more realistic standards. Reducing barriers to LDC exports would provide a benefit to consumers in developed countries in the form of lower prices.

## A DONOR-COUNTRY GAP IN EXPECTATIONS

3.4 A major problem in the first phase and currently is the gap in expectations between donors and countries. Donors believed the objective of IF was to improve the efficiency of TA that had already been provided, but the LDCs envisioned it as an additional source of funding for TA and other activities, which did not materialize. Client countries noted that both multilateral and bilateral sponsors have been slow in providing financial support to fund the lines of action recommended by IF studies and accepted by the countries. Lack of follow-on funding was particularly detrimental for LDCs that sought to benefit from opportunities linked to liberalization under the Uruguay Round agreements. In short, the most important gap of the original IF was its lack of financial resources to fund TA, once identified and formulated.

3.5 IF implementation required that a country prepare a needs assessment (NA), followed by an integrated response (IR), comprised of tailored assistance developed by the agencies. Prior to OED's 2000 assessment, 40 of 48 participating countries had prepared NAs and agencies had responded with IRs. But the process usually got stuck at this stage. Only five countries – Bangladesh, Gambia, Haiti, Tanzania, and Uganda – had activities during the first IF that actually went through the entire cycle, from NA, to IR, to implementation. Misaligned perceptions about IF's purpose were reflected in the disappointing results of the Round Tables for the five countries that had gone through the entire cycle. Priorities were never clearly established on TA needed to meet WTO obligations, nor had priorities been set on assistance required to integrate UR agreement-leveraging strategies into broader national development planning. Moreover, entering strategies into the broader national development plans has larger investment implications beyond TA, which are discussed later in the paper.

3.6 Coordination at the country level posed another major obstacle for the program. IF dealt mainly with trade ministers in countries. It usually did not involve finance and planning ministries, despite their strong relevance from the perspective of foreign assistance relations and even trade policy formulation.<sup>15</sup> Program implementation was also difficult. Countries often went beyond trade-related TA needs in developing NAs, which tended to become general, non-prioritized project wish lists, with only a loose relation to trade-related constraints. The response from agencies also suffered from a lack of specificity and strategic focus, due to IRs that were inadequately linked to country assistance strategies. Yet another issue was the program's "unfunded mandate" status outside the mainstream of development-related funding, with donors according it varying levels of funding priority.

3.7 During the last IFWG it was decided to request countries to complete a questionnaire indicating specific information on the implementation process, including detailed information on the implementation of the matrix. The response from Senegal was very encouraging. Most of the matrix is being implemented and donors (including the Bank) are providing assistance through concrete activities. The approach included identification of gaps in the matrix (which donors are already active and which areas are not covered) and intensive consultations between ministries involved and donors. The same approach has been followed in Madagascar, and next countries include Yemen and Burundi. The question is whether the

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15. One of the significant changes in the revised IF is the involvement of these ministries in the planning and implementation of program activities.

program will evolve rapidly to be more results-oriented in terms of demonstrating its effectiveness in achieving specific outcomes (changed policies, increased investments and improved regulatory framework) and impacts (improved trade outcomes for developing countries in such areas as increased export volumes and prices).

## CONCLUSIONS OF THE PROGRAM'S EXTERNAL EVALUATION

3.8 In November 2003 the Capra-Trade Facilitation Office Canada Consortium (Capra-TFOC) published an external evaluation of the redesigned program,<sup>16</sup> concluding that its operational approach was “carefully crafted, is entirely appropriate and is a sound approach capable of achieving positive results.” At the same time, the review noted that IF’s goal of mainstreaming trade into the broader developmental context of National Development Plans and PRSPs implies a need to prioritize issues, set specific goals with measurable outcomes, and develop an action plan. While noting that the program has made progress in terms of study quality, the review pointed to the difficulty of attempting a quantitative assessment of progress resulting from IF, as relatively few measurable goals and objectives exist on the program or at the country level for stock-taking and tracking of outputs and impacts. The evaluation concluded that IF would benefit from adopting a results-based management approach, with specific goals and measurable outcomes.

3.9 According to the review, achievement of concrete results in individual participating countries has been “highly variable” and appears to be linked to the internal ingredients for success within individual countries, not to IF strategies that work across diverse country settings. Yet, despite its country-by-country approach, IF has not systematically examined country conditions, nor incorporated country-specific criteria, such as government support and policy leadership, business environment, and in-country stakeholder consensus, into its selection of countries for studies. With IF competing with high-priority sectors such as health and education for attention and funding, the evaluation observed that there was a danger of its diagnostics and action plans devolving into “lists” of to-do items. The review concluded that studies could improve by becoming more operational. The review also concluded that insufficient evidence exists that IF has actually helped to mainstream trade into development strategies or to clarify the linkages between trade policy and poverty.<sup>17</sup>

3.10 The evaluation team noted a common perception among developing countries that IF “is or should be a funding mechanism that would inject new funds into the system to undertake a wide range of development projects.” This comment underscored a continuing divergence in the expectations of LDCs and partnering agencies about the program and the large gap between the expectations of countries and IF’s actual pay-off, also supported by OED’s analysis and consultations carried out for this case study. The evaluation concluded that despite strong ownership of IF within the Bank and other agencies, ownership within developing countries had been limited.

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16. Capra-TFOC Consortium 2003.

17. The evaluation notes a tendency to assume a direct cause-and-effect link between trade and poverty reduction.

3.11 Following the submission of the external review, the program's SC requested that IFWG formulate a new work program to improve IF's operational aspects. IFWG responded with a work plan that pledged increased efforts to follow up on DTIS recommendations and incorporate findings into national development plans and other planning tools. The plan also committed IF to redoubling its efforts to work with partner governments to respond to the assistance priorities identified in the studies.

## **FINDINGS OF THE OED GLOBAL REVIEW**

3.12 The OED global team reviewed IF studies carried out for six countries: Mauritania, Cambodia, Yemen, Senegal, Madagascar, and Malawi. OED concluded that the studies reviewed were generally strong in terms of analysis of weaknesses in trade-related services. Their advice was also strong on improving infrastructure, credit facilities, packaging and quality control, and customs administration. At the same time, they were not sufficiently precise on how to effectively and efficiently prioritize and address identified weaknesses, and how to increase output in newer sectors or deal with access problems in the traditional sectors such as agriculture. Based on the review, OED agrees with the external evaluation that post-study progress has been variable and appears linked to factors, which vary greatly within and across individual countries.

3.13 Yet after examining PRSPs and CASs for countries participating in IF, the OED team concludes that IF's diagnostic studies have begun to have an impact on the planning documents of those countries. Specifically, Cambodia, Madagascar, and Senegal have incorporated DTIS recommendations into their PRSPs. And, according to the Bank's DEC unit, other participating countries voice a strong commitment to the concept of trade mainstreaming.<sup>18</sup> As for IF's impact on the Bank's lending portfolio in participating countries, PREM noted a number of "IF follow-up activities," including the development of trade information tools in Cambodia, trade reform assistance to Madagascar, a fisheries project in Senegal, World Bank Institute training activities in several countries, and trade and transport audits in Mali, Zambia, and Mozambique. Bangladesh carried out an export quality review and market advisory missions, and an overseas training programme that led to the development of a large-scale project (\$3.8 million) involving the government, ITC, and a prospective donor in the leather service industry. The IF frequently cites the example of its work in Cambodia, a country with a strong commitment to trade issues, whose entry into the WTO illustrates the potential for positive impact of a well-financed and well-organized IF. But these successes are still small relative to the needs of the countries to mainstream trade into development planning. This raises the issue of the extent to which investment needs of the countries for overall development can be separated from trade-related needs, and which comes first, trade or development, rather than the two being two sides of the same coin. The Bank's country economists repeatedly stressed this point to OED.

3.14 To varying degrees, the program's pilot and post-pilot studies make a positive contribution by analyzing continued gaps in trade-related services in countries. At the same time, they provide little information on the design of sector strategies to elicit a supply

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18. PREM cites Burundi, Guinea, Lesotho, Malawi, and Yemen as countries that have demonstrated clear commitment to mainstreaming trade into their planning documents.

response and on the costs and sources of funding for needed improvements that are expected to emerge from follow-up technical assistance. The studies raise the need for LDC exports to meet the international phytosanitary and quality standards and regulations.

3.15 The external evaluation questions IF's strategy of targeting sectors rather than the constraints of individual exporters. This issue needs wider discussion and exploration. A more fundamental issue is whether the obstacles to trade development are LDC-related alone, or whether a lack of competitive markets of developed countries is a culprit, as illustrated by the April 2004 WTO ruling against America's cotton subsidies, in which WTO judges deemed payments to American cotton farmers unfair and in excess of the agreed caps.<sup>19</sup> A recent study indicates that subsidy cuts for domestic support in OECD's would have negative welfare effects on developing countries, suggesting that developing countries should devote more attention to issues of market access rather than to cuts in domestic support.<sup>20</sup> Overall, while some broad macroeconomic information should be included to provide a country-specific context for findings, the focus should be on providing detailed analysis of export performance and prospects.

3.16 The available evidence indicates that IF has helped mainstream trade into country-level development strategies. Although relatively few Bank lending operations have directly resulted from IF country studies, the mainstreaming of DTIS and its Action Matrix into planning documents continues and is likely to increase the number of trade-friendly Bank lending activities in participating countries. Out of the 13 LDC's that completed the DTIS, three countries fully covered trade in their PRSPs (Cambodia, Mauritania, Madagascar), while the PRSPs of three other countries included little trade content, and the PRSPs of the remaining countries covered trade partially or are expected to increase its content.<sup>21</sup> Yet, merely mainstreaming trade into PRSPs is not enough to improve trade outcomes. According to a recent OED review of the PRSP process, most PRSPs have not explored the full range of policy options to achieve growth and development. Moreover, while donors have improved the PRSP process, they have not changed the content of their own assistance. The review further argued that the strong roles of the World Bank and the IMF in the PRSP process undermine its country orientation.<sup>22</sup>

3.17 One area of potential program impact is increased awareness of trade issues. On this front, IF may have been successful in heightening national, international, and donor awareness of the role played by trade in development, although attribution to IF remains a challenge. WTO staff members observe that working with IF has increased the incorporation of development issues into the WTO.

3.18 Another implicit, if unstated, program objective is to enhance agency partnerships. Developing countries have observed that IF provides significant benefits for agencies through enhanced coordination and use of resources. But OED concurs with the external evaluation that, at least initially, IF's benefits for donors and international agencies in terms

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<sup>19</sup> See, for example, *The Economist* 2004.

<sup>20</sup> Guha-Khasnobis, Basudeb, ed. 2004.

<sup>21</sup> World Trade Organization 2004a.

<sup>22</sup> OED 2004.

of additional resources to conduct activities in the areas of their specialty may have been greater, and that it will take time to demonstrate benefits to developing countries. By working together, international agencies and donors intended to increase the consistency of their approaches. Yet, this was not a clearly stated objective of the program, and IF has no performance indicators to assess changed donor/international agency behavior. Agency participation in IF may have increased the consistency of advice provided to country policy-makers and accessed through IMF's Article IV consultations. Again, there is no well documented evidence to support this. As part of IF's greater results orientation, it could more systematically collect evidence on changed donor/international agency performance as well as on the outcomes and impacts on the developing countries, including identifying areas where there is need for improvement. Routine publication of such information may provide an additional impetus to donors to improve their collective performance. Furthermore, partnership building should be viewed as a valid objective for a Bank-supported global program. Formally incorporating such an implicit objective into design, implementation, and evaluation processes would be a positive move.

3.19 Progress under the program is monitored through periodic progress reports by the IFWG to the Steering Committee and monitoring of the country studies. In addition, OED collected the views of the agencies regarding IF in early in 2002.<sup>23</sup> The OED global evaluation concurs with the findings of Capra-TFOC that the program contains few measurable goals, particularly on outcomes and impacts, and that country studies need to be made more operational. IFWG did not adopt the recommendation to introduce results-based-frameworks. The IFWG felt that this would unduly increase the burden on the IF secretariat, opting instead to focus on what it perceived as bigger bottlenecks - enhancing the commitment of donors and recipient governments in mainstreaming IF concerns into the PRSP process. While the IF now has a monitoring matrix and requires a focal point in each country, some focal points allocate insufficient time or fail to attend relevant meetings. IF diagnosis needs to move beyond specifying the TA needs – which studies have started to do – to a more systematic analysis of export problems and prospects, particularly the prospects for generating export volumes and developing market access.

3.20 Overall DTIS quality has improved, and IF country study results have begun to influence national development planning documents. Yet, although the reflection of IF concerns in planning documents is necessary, it is not sufficient to ensure outcomes and impacts on trade. The absence of in-depth analysis of the external situation, including examination of full domestic investment requirements, contributes to a perception among developing countries that the program is agency-driven and helps explain the lack of ownership of the program among LDCs. Moreover, IF's linkages to "mainstream" Bank and donor investment operations and lending in participating countries need to improve. Ultimately, this linkage will make the critical difference in terms of long-term IF outcomes and impacts. But some studies continue to call for more detailed, country-specific empirical analysis of export performance and prospects – the area with the greatest need for concentrated use of IF resources and program efforts (Box 4).

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23. See WTO, "Appraisal of the Integrated Framework: Views Expressed by the Agencies."

#### **Box 4. IF Country Studies Reviewed by the OED Global Review Team**

*Finding of the Team: The studies are strong in analysis of weaknesses in trade-related services, but imprecise on how identified weaknesses can be addressed, and how output can be increased.*

**Cambodia.** The Cambodia study emphasizes the barriers in developed economy markets that constrain the country's exports; it also points to the need to make Cambodian exporters more competitive and reduce the costs of exporting. The study stresses the need for improved customs administration, reduced transport charges, improved information flows, and development of human capacity as important factors governing export performance. The report prepared detailed TA requirements to help in fostering exports but not for the other investments needed.

**Madagascar.** The report notes a mismatch between many of the country's export products and products that receive preferential entry to QUAD markets. It identifies constraints to increased production of important agricultural commodities: often a single monopolistic buyer – as in the case of cotton and sugar – making it important to liberalize entry. In the manufacturing sector, recommendations relate to enhancing the effectiveness of export processing zones. More analysis is needed of the medium- and long-term investments.

**Malawi.** The Malawi DTIS identifies food insecurity as a factor in the country's poor export performance in recent years. None of the proposed TA or recommendations for improving institutional performance actually address the critical issue of food insecurity.

**Mauritania.** The report concludes that the government should develop a properly articulated export strategy and improve institutional support for exports, along with customs administration and the transport sector. It suggests sector-specific steps to improve export supply, singling out fisheries and livestock as new sectors with export diversification potential. But it does not provide clear analysis to support the conclusion that export markets for these products are growing rapidly. It could have employed the concept of dynamic and stagnant sectors: dynamic markets are those in which elasticity of demand is greater than unity. Barriers in developed countries and internal supply constraints need further analysis. Partnerships with foreign investors may be a fruitful way to overcome such barriers.

**Senegal.** The IF country study for Senegal found that the country does not greatly benefit from preferential schemes due to strict rules of origin and narrow selection of commodities. For example, only 1 percent of Senegal's exports have benefited from the U.S. African Growth and Opportunities Act (AGOA). And once past the preferences, Senegal faces steep tariff peaks – for example, edible groundnuts in the U.S. Phosphoric acid exports to India, which account for some 9 percent of Senegal's exports, face a tariff of 35 percent.

**Yemen.** The Yemen study underscores the correct observation that export growth must often come through increased output in newer sectors. Yet, as with other studies, it is weak in its design of sector strategies to elicit a supply response. The report makes recommendations for the development of tourism and agricultural exports since Yemen depends on remittances and oil revenues. The impact of tourism development by itself as well as its impact on agricultural export competitiveness requires further analysis.

#### **ANALYSIS OF THE PROGRAM'S DIRECT PRODUCTS AND OUTPUTS AND INDIRECT AND LONGER TERM OUTCOMES AND IMPACTS**

3.21 IF can be analyzed in terms of its direct products and results and its indirect, but relatively more substantial and longer-term outcomes and impacts. Its direct products and results are obvious: completed diagnostic studies and other outputs providing recommendations on enhancing export supply, and increasing local trade policy analysis capacity, although capacity-building is hard to document based on available evidence. Resolving specific market access problems for specific commodities is also a challenge, on which there is greater awareness and some movement unrelated to IF, as in the case of WTO's preliminary ruling in April 2004 against U.S. cotton subsidies to its farmers.<sup>24</sup>

<sup>24</sup> *The Economist* 2004.

3.22 Yet indirect and longer-term IF outcomes and impacts seem to require improved coordination of trade-related technical assistance, an area in which some progress is occurring. The most important medium-term outcome would be trade-facilitating investments in physical and institutional infrastructure *beyond technical assistance*, an outcome that the current program can deliver only by the indirect means of inclusion of trade concerns in PRSPs. While mainstreaming trade into PRSP's is positive in the aggregate, trade-related investments still must compete with other needed country-level investments in a situation of constrained external aid levels and numerous other externally-driven priorities such as health and education. Country economists have stressed this point in conversations with OED, as well as highlighting the difficulty of distinguishing the trade-related aspects of a given investment from investment outcomes in terms of overall economic development.

### **Direct Products/Outputs: Country Diagnostic Studies**

3.23 The role of the DTIS is to identify constraints that a country faces in integrating into the global economy and to recommend policy actions and technical assistance to overcome these obstacles. The DTIS process usually consists of two missions to the field: a preparatory mission to lay the groundwork and define the study's scope, and a main mission to gather information. A team of international and local experts is appointed to prepare the study, which is informed by inputs from the host government as well as IF agencies, which may participate in the preparatory mission. A DTIS is supposed to take existing trade-related studies into account, with a terms of reference that reflects country-specific conditions, including policy priorities, capacity-building needs, sectoral interests, and regional integration issues. Based on detailed analysis, the study develops an action matrix with prioritized policy reform and technical assistance needs. When a draft DTIS is ready, a national IF workshop is held to discuss the report and its accompanying action matrix with a wider domestic audience. Once finalized, the DTIS and its action matrix are submitted for government approval and adoption. According to an IFWG note to the Capra-TFOC evaluation of IF, the duration of DTIS preparation, from preparatory mission to DTIS national workshop, should not exceed six to eight months. However, the sequencing and timing of missions and activities varies from one country to another.

3.24 The completed studies have concentrated on identifying constraints to improved export performance, including non-price factors and market access. As shown in Box 4 and highlighted in Annex 2, the studies recommend specific policies to overcome identified obstacles as well as detailing TA to carry out identified tasks. Major topics covered by the studies include:<sup>25</sup>

- The studies identify sectors with good prospects for increased exports.
- There is the need for improved information and credit facilities for exporters, and for the development of export-relevant skills.
- Serious market access problems exist in some countries due to significant tariff and non-tariff barriers (Annex Box 2).
- There are significant non-price barriers to export performance, including gaps in customs administration and serious infrastructure bottlenecks (Annex Box 1).

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25. Annex 2 provides a detailed look at study results, along with data and analysis on LDC trade-related issues.

3.25 Early capacity building under IF was limited, and the three pilot studies had to be completed by the time of the Doha ministerial meeting, limiting early opportunities for IF to identify and deliver capacity-building assistance.<sup>26</sup> Rapid completion of the studies also meant that integration of study results into various agencies' country programs was not complete, as most agencies and donors had not developed the institutional capacity needed to participate in this process effectively. The short duration of the pilot studies also led to the limited involvement of local players, although almost 50 percent of consultants have been from the concerned country in later studies.

3.26 The studies identify a number of internal obstacles to export expansion within the countries, including weaknesses and gaps in policy and regulatory frameworks, infrastructure, know-how, and institutional capacity. In some cases, the studies also identify potential solutions to identified obstacles, although this is not consistent. As for externally generated constraints, the studies identify certain obstacles, such as strict regulatory frameworks and weak market demand within industrialized countries. However, they often fail to identify the inter-relationships between internal and external weaknesses, and do not consistently link both sets of constraints to concrete solutions tailored to the circumstances and needs of individual countries. Lack of awareness of and commitment to the DTIS process by the relevant authorities within the developing country governments may have also hindered its success, indicating the need to define and ensure IF-related commitments of both authorities and donors.

3.27 A positive contribution of the studies is the detailed analysis of shortcomings in trade-related services. At the same time, the studies did not provide a clear picture of the role and performance of trade openness as a development strategy, as they provide insufficient information on government strategies, plans, and programs. Many LDCs have limited export baskets. Mauritania and Senegal face problems in managing their depleting fish stock. But rebuilding fish exports will require short-term decreases in catches and export earnings, leading to the question of how the countries would adjust, or how impoverished fishermen would be compensated for lost earnings.

3.28 The studies recognize that export growth has to come through increased output in newer sectors but they are weak in their design of sector strategies to elicit a supply response from traditional sectors such as agriculture or fisheries. The report for Yemen makes recommendations for the development of tourism and agricultural exports. Since Yemen depends on remittances and oil revenues, the impact of tourism development on agricultural export competitiveness needs further analysis. Similarly, the report on Malawi identifies the lack of food security as a factor in the country's poor export performance in recent years, but the proposed TA or recommendations for improving institutional performance do not address food insecurity. While the studies are a good beginning, they do not provide an adequate basis for a country to devise an export strategy.

3.29 Perhaps this will occur through an increase in Bank operations to build trade-related capacity in LDCs. Amount lent for capacity building increased from \$132 million during 1998-2000 to \$267 million in 2001-2003, resulting in a portfolio of 50 operations at the end

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26. Fund staff mentioned that the hurried nature of the pilot studies prevented the Fund from playing a greater role.

of FY03. IF can help reduce developed country barriers for LDC exports by developing better common negotiating strategies or leveraging moral suasion by showing the negative impact on the world's poorest of developed country policies that limit market access for LDC exports, such as high tariffs and standards.<sup>27</sup> The studies can also be used to highlight the high cost of meeting developed country product standards. With assistance, LDCs may be able to negotiate better standards.<sup>28</sup> IF's recent move toward developing a more strategic approach to cooperation with trade-related efforts like JITAP is a useful way to leverage programmatic resources and broaden the impact of IF country studies.<sup>29</sup>

3.30 Window II funding arrangements stress the program's promise as well as its limitations with respect to cost-effectiveness. An important indicator in the medium term would either be additional donor pledges for Window II activities beyond the current \$1 million ceiling per country for TA or their regular aid programming at the country level. This has not always been easy because the countries' priorities do not necessarily coincide with those expressed by donors or the country representatives at the level of a global program, given the weak internal linkages within donor agencies between their multilateral and bilateral activities at the country levels. IFWG has raised concerns about the procurement rules used to select executing agencies for Window II projects, the quality of projects proposed and whether they conformed to TORs, and the use of Window II money to finance the often costly recruitment of international advisors. The Group has agreed that it was up to the country itself to decide on the most appropriate use of funds. In OED's view and the opinion of country economists, achieving resource additionality for TA and investments will be an important factor in ensuring impact of the studies over the longer term. Some respondents also stressed to OED that, while Window II was being implemented, other parts of the matrix were not, due to lack of donor awareness, developing government action, and adequate implementation plans for the matrix.

### **Indirect Impact: Increased Trade Issue Awareness**

3.31 Another outcome is the increased awareness of trade issues. IF has heightened national, international, and donor awareness of the role of trade in the development process. WTO staff members have stated that working with IF has increased their sensitivity to development issues; this awareness percolates through to delegates of developed countries, who may not always be fully aware of trade-development linkages. Awareness among developing countries has certainly increased, although attribution to IF as distinct from the general trade-related negotiations is difficult. Reflecting this increased awareness, Senegal has embarked on a series of institutional and operational reforms to improve its environment to better attract direct investment and to reinforce its production and supply capacity to

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27. The Executive Directors from developing countries at the Fund stressed problems with market access to the developed countries. These EDs wanted the Fund to pay more attention to market access issues in Article IV consultations and reports.

28. Reducing barriers to LDC exports would also provide a benefit to consumers in developed countries in the form of lower prices.

29. An IF work plan developed in response to the findings of the external evaluation underscored the program's intention to "ensure greater synergies and coordination with other trade-related technical assistance projects, in particular...JITAP" through such measures as government establishment of a single national IF/JITAP steering committee and a unified focal point in countries with both programs.

develop exports.<sup>30</sup> In addition, countries that participated in the program's first phase have expressed interest in participating in the new IF.

3.32 The program has also raised trade issue awareness within the Bank. An important component of its economic work in the 1980s and early 1990s, the quantity of trade work declined in recent years at the Bank, partly due to the success of earlier work with developing countries to reduce protection. Other, seemingly more urgent problems, including macro stabilization, government budgetary policy, and financial sector reforms attracted attention. In some cases it was believed that capable regional agencies could undertake trade work, particularly in Latin America. Given these factors, the Bank decided to concentrate on other economic work areas. Trade analysts in the Bank express the view that demand-driven economic sector work (ESW) at the Bank tends to give short shrift to trade, as governments prefer the Bank not to dabble in this area. Country economists ascribe the decline in trade work to a shift in the nature of problems facing countries. This decline is reflected in the QAG report of 2001 on ESW quality, highlighted in Box 5.<sup>31</sup>

3.33 Various external factors have, however, also played a role in the heightened awareness of trade issues, which has boosted support for IF within the Bank, making it difficult to ascribe all outcomes to IF. One important factor is that reducing import protection has not resolved the balance-of-payment and development problems of many developing countries. As a result, trade analysts at the Bank have found it necessary to investigate domestic factors hindering export supply response and analyze LDC exports' market access problems.

3.34 Much of the work proposed under IF has been to identify constraints to improved trade performance and propose measures to address obstacles. Given its recently expanded capacity in trade, some have argued that the Bank could probably carry out much IF trade-related work on its own. However, the involvement of the six agencies, each with its own expertise and experience, has served to raise the profile of trade issues and lent greater coherence to advice provided to country policy makers, in addition to improving the IMF's Article IV consultations.<sup>32</sup>

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<sup>30</sup> Kebe, Awa Gueye 2004.

<sup>31</sup> QAG 2001.

<sup>32</sup> EDs representing developing countries at the IMF interviewed by the OED team stressed the need for the Fund to pay more attention to market access problems faced by Part II (developing) countries.

### **Box 5. Trade-Related Work: A Neglected Area in Operational Work until IF?**

A 2001 QAG report on the quality of ESW found that trade-related work was a relatively neglected area. The report divides ESW into 65 tasks to assess quality. Only two of the tasks were trade-related – trade reform in Viet Nam and possible trade integration of Central Europe into the EU.

Furthermore, trade issues are relatively neglected in CASs. OED examined all 12 CASs carried out for LDCs in the past two years and randomly sampled 10 CASs for non-LDCs. It found that trade-related work was not a strong focus, 9 CASs had no discussion of trade strategy or plans for trade-related ESW. This was partly due to the fact that some of the countries were recovering from severe internal conflict.

The most extensive discussions appeared in the CASs for Bangladesh and Mauritania. The latter has a completed IF diagnostic study; the former was one of the countries that had gone through the entire cycle during the earlier IF. Similarly, 6 of 10 CASs for other LDCs found no mention of trade issues or strategies, and no scheduled trade-related ESW.

But CASs do not serve as a comprehensive guide to trade-related ESW. For instance the March 2002 CAS for Senegal does not mention an almost-completed IF diagnostic study. In addition, IF studies for Eritrea and Ethiopia occurred after the preparation of the CAS.\*

PREM takes the position that, if a country agrees with DTIS recommendations and action matrix, it will be reflected in its PRSP and other planning tools. This is increasingly taking place, with countries like Cambodia, Madagascar, and Senegal having incorporated DTIS recommendations into their PRSPs. A number of PRSPs are currently in the pipeline, providing further opportunities for countries and the Bank to work together to mainstream trade concerns into country planning.

\* The Eritrea DTIS was delayed due to political problems.

3.35 Another factor behind the increased demand for trade work at the Bank is that many developing countries have needed assistance in negotiating their entry into the WTO after applying for accession. The Bank has provided such support to a number of developing and transition economies. IF can provide support on accession issues to LDCs. Cambodia, for example, requested this type of IF assistance. In addition, many developing countries lack the capacity to effectively participate in the new round of multilateral negotiations. The Bank and other agencies are providing TA to improve countries' negotiating capacity – assistance that has been consolidated under IF.

### **Indirect Impact: Improved Donor Agency Coordination**

3.36 An additional impact of the IF has been enhanced coordination among the donor agencies providing trade-related TA and improved coordination in countries between the ministries of trade and finance and planning and between the public and private sectors. The six agencies have stressed that donor coordination is stronger as a result of the IF even at the country level than among ministries at the country level, although Cambodia's example shows that there are differences among countries. More tracking is needed to assess the impacts of IF on donor and country behavior.

3.37 The program includes extensive involvement of the private sector, but not of NGOs and other sectors of civil society, although Oxfam's active lobbying to eliminate or reduce agricultural subsidies in industrialized countries shows the impact NGOs can have on increasing international awareness.<sup>33</sup> Some LDC representatives have cited positive results.

33. Generally, civil society has not been involved in trade policy issues. There is no evidence that the exclusion of NGOs and civil society has hindered IF operations. But civil society is becoming increasingly vocal about the adverse effects of globalization. The causes of the failure in Seattle are complex and controversial, with many

In Senegal, the IF diagnostic study was discussed at a national workshop that included government representatives, the administration, the private sector, and development partners, leading them to develop through consensus a plan of action.<sup>34</sup> Furthermore, the government of Senegal's presentation of its plan of action at a roundtable in June 2003 in Dakar involved the private sector, civil society, and the representatives of development partners. According to the country's Minister, the roundtable led the participants to think in depth about the contribution of trade to growth through the implementation of the plan of action, identification of needs, and financial donor assistance.<sup>35</sup> Even so, coordination should be improved between agencies involved in the program and agencies allocating aid, so that concrete results flow from diagnostic studies. The lack of response from the donor community and the apparent absence of ill effects resulting from this gap are at variance with the importance attached to exports as determinants of economic performance.

## 4. Program Governance, Management, Partnerships and Financing

### IF GOVERNANCE AND MANAGEMENT UNDER THE ORIGINAL AND CURRENT PROGRAM

4.1 The IF is governed by a two-tiered management structure: the program's Steering Committee (SC) and the IAWG. The SC consists of representatives of the LDCs, the six agencies, and the major donors, with meetings open to any interested country. As it has no fixed membership, the SC has evolved into a large group that provides political backing and overall direction for the program, based on broad stakeholder representation. The IAWG consists of representatives from the six agencies and two representatives each from least-developed and donor countries.

4.2 The Steering Committee is chaired by the Ambassador to the WTO from Denmark, while the IAWG is chaired by the WTO secretariat. Broad guidelines for program operations are provided by a WTO agreement,<sup>36</sup> with procedures and documentation for the IF work program developed by the IAWG and endorsed by the Steering Committee. The program is served by a Secretariat housed in the WTO. The World Bank has the primary responsibility for undertaking assessments and studies.

4.3 The 2000 OED evaluation of the IF found serious shortcomings in program management, agency coordination, and allocation of responsibilities. Management responsibilities resided with the program's IAWG, consisting of representatives from the

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economists believing the failure had less to do with civil society groups than with U.S./European differences (Schott 2002). Even so, the exclusion of civil society groups could adversely affect future program operation. Economists tend to ignore the losers in trade liberalization – but this may no longer be possible in some countries (though it must be stressed that the current program is more about trade expansion than about trade liberalization).

<sup>34</sup> Kebe, Awa Gueye 2004.

<sup>35</sup> Ibid.

<sup>36</sup> See the paper referred to in footnote 4.

agencies (now the IFWG), which was chaired by a WTO official, with assistance from a small administrative unit in ITC. As no single agency was assigned to manage the IAWG, decisions were reached by consensus. The comparative advantages of the individual organizations are evident but were not identified, and, as a result, were never built on to achieve IF objectives, nor was there any serious analysis of how their interests affect the IF program. IAWG's work was complicated by the fact that IF donor representatives in Geneva were all trade-related, with weak linkages to the donors' foreign assistance channels, which undermined internal agency cooperation with IF.

4.4 The revamping of IF, along with constant interaction among agency officials, has improved the partnership. In some cases, roles and responsibilities are more clearly defined than in the past. For example, the Bank has the primary responsibility for overseeing studies and UNDP handles IF's financial aspects.

4.5 Yet, revision of IF only partly addressed the management shortcomings identified in OED's evaluation of the earlier program.<sup>37</sup> For example, operational procedures of the agencies continue to differ, which sometimes results in coordination problems. While UN agency staff members are familiar with UN procedures and have no problem with UNDP management of the Trust Fund, Bank staff members have sometimes faced difficulties in planning activities, leading to a need to turn to other funding to finance program activities and internal management problems.

4.6 The roles of the IF partners and governing bodies are still not sufficiently clear. Although IF does define the roles of the program's IF Steering Committee (IFSC) and its IFWG, the roles of international organizations, bilateral donors, and LDCs within the program are not well-defined. Furthermore, the transactions costs of the program are still high,<sup>38</sup> partly due to the lack of clarity regarding the responsibilities of the program's various stakeholders and poorly defined roles of IF governance structures. Frequent IFWG meetings, including 33 meetings in one 17-month period, have been needed to iron out differences, pushing up costs and underscoring coordination problems with the program and leading several to raise a question as to whether some of these outputs, such as DTISs could not have been achieved by the Bank working alone.<sup>39</sup> Lack of on-the-ground presence in the developing countries may have also weakened the program's governance.

4.7 OED agrees with the conclusion of the CAPRA-TFOC evaluation that IF governance would be enhanced by a more thorough-going integration of results-based management processes, systems, and measurement tools. OED also agrees with the Capra-TFOC recommendation that IF needs to better delineate roles and responsibilities of its key partners, and adopt a more business-like approach to running the program. The OED Phase 2 case studies suggest that a growing number of global program evaluations now use results-based frameworks. Such evaluations often recommend that programs adopt results-based

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37. As with three other programs reviewed as part of the OED global evaluation (GEF, MLF, and Cities Alliance), IF's executive body is a representative subset of the program's governing body, with each membership group having representatives on the executive body.

38. All responses to case study questionnaires noted the high transaction costs of the program.

39. The 2003 external evaluation found that IFWG operations were too cumbersome and needed streamlining.

management practices, develop performance indicators related to outcomes rather than outputs alone, and generally adopt more business-like management systems and processes.

#### **LEVELS OF PROGRAM PARTNERSHIP**

4.8 IF partnerships operate at four levels:

- At one level is a partnership within IF's Steering Committee. This Steering Committee, in which the international organizations and potentially all WTO member countries can participate, provides an overall framework for IF operations and is the main source of the program's political backing.
- Partnership also operates at the level of program design, carried out by the IFWG, which consists of representatives from the donors, developing countries, and international organizations.
- Third, there is an international organization partnership for implementing studies in countries, including decisions on contributions from each organization.
- Finally, there is a partnership between international organizations and national governments and policymakers to ensure study relevance and implementation of findings.

#### **Agency Partnerships**

4.9 An implicit, if unstated, program objective is to enhance agency partnerships. Developing countries have observed that IF provides significant benefits for agencies through enhanced coordination and use of resources. The external evaluation observed that IF benefits participating organizations and donors that provide the technical assistance more perhaps than developing countries. This same sentiment was conveyed to OED, including the fact that some international agencies may be greater beneficiaries than other participating agencies.

4.10 Partnership among the agencies implementing the IF is based on their common provision of trade-related TA. There is congruence between the objectives of IF and the organizations, albeit from their different vantage point of view. There are also complementarities between the roles of the organizations within IF and their regular operations. And inter-agency complementarities exist that can be leveraged to benefit the program. IF aims to increase the efficiency of trade-related TA provided by the agencies by avoiding duplication and fostering synergies. The different agencies provide access to complementary stakeholders. Their activities are also complementary:

- WTO has a comparative advantage in legal organizational expertise.
- UNDP and the World Bank provide overall development perspective and expertise.
- UNCTAD studies links between country trade status and policies and the world trading system.
- ITC is involved with the private sector.
- IMF examines the congruence of macro-policy, exchange rate, and external sector policies.

4.11 There are, however, significant differences among the partners on program objectives, resulting in coordination problems in the implementation of program activities. For instance, the main focus of WTO is achieving LDC compliance with WTO obligations, while IMF is primarily concerned with overall reform of a country's trade system and consistency between trade policies and macro stability. Meanwhile, ITC looks to increase trade-related TA and use it as a tool to help the private sector benefit from the international trading system. UNDP's view is that the program's objective is to improve synergies among the agencies. Finally, the Bank tends to stress IF's role in incorporating trade into development strategies and providing a basis for TA.

### **Partnership Role of the Bank**

4.12 Officials from the other agencies stress that the Bank had a vital role to play in the implementation of the program. They say that the Bank alone has the capacity because of its ability to hire consultants. In addition, the Bank's recently increased internal capacity in trade-related work allows it to combine global and country-specific analysis, relate trade policy to sector issues, carry out intensive policy dialogue with governments, and implement projects in infrastructure and in other sectors where investment is required to enhance export supply. Staff in all the agencies recognize that successful implementation of the strategy requires significant investments in infrastructure and sectors with an export potential. In their view, only the Bank has the resources to make the actual investments in capacity building and physical infrastructure on the scale needed and to coordinate a donor-wide effort of this kind.

4.13 At the same time, the agencies still see scope for further improvement. Other agencies – for example, UNCTAD – indicate that the resources they receive from donors for routine trade-related technical assistance to LDCs have diminished, with donors using the rationale that their support for efforts like IF and the Joint Integrated Technical Assistance Programme<sup>40</sup> (JITAP) is a substitute, although the programs serve a limited number of countries. Yet the net effect of IF and other umbrella efforts in terms of overall resource

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40. A joint effort of WTO, UNCTAD, and ITC, JITAP provides eight African countries with technical assistance and training in trade development. Its objectives are three-fold: build national capacity to understand the multilateral trading system (MTS) and its implications for external trade; adapt national trading systems to new MTS obligations; and maximize MTS advantages for participating countries by enhancing the readiness of exporters. Funding for activities requested by countries comes from JITAP's Common Trust Fund. Set up by the partner agencies, the fund currently receives contributions from 13 donors.

The question of IF/JITAP synergy was raised in the IF external evaluation. As a result, the IF Work Program – which provides follow-up actions to the evaluation – contains the following paragraph on IF/JITAP:

“(E)nsure greater synergies and coordination with other trade-related technical assistance projects, in particular with the Joint Integrated Technical Assistance Programme (JITAP). In countries where both the IF and JITAP are in place, the government should establish arrangements to ensure synergies, including the use of a single national steering committee for both the IF and JITAP, the appointment of the same focal point and to link the DTIS and JITAP capacity building activities. The agencies involved in the two programmes should also ensure internal coordination through the holding of periodic consultations between Members of the IFWG and the JITAP Common Trust Fund Steering Group.”

In new IF countries where preparatory missions have taken place, this issue has been brought up and efforts are being made to establish joint IF/JITAP steering committees.

availability for trade-related technical assistance, and even more importantly for investments, is not known and needs to be tracked.

4.14 The fact that the Bank plays a lead role in implementing the studies seems to improve the potential of studies to be reflected in the overall development strategies of individual countries. This seems to occur even without additional investment resources and improved market access, although it is too early to assess specific program benefits. The Bank's prominent implementation role in IF appears to be adding value to the trade-related investments of the Bank and other donors and is informing the larger global policy debate on the market-access problems of developing countries. Moreover, the Bank's important role in IF provides developing country policy makers, donors, and Bank staff with a stronger foundation for making trade-related investment choices relative to other competing priorities, which should be tracked for outcomes and impacts.

## **PARTICIPATION**

4.15 Box 6 overviews the often-confused concepts of partners, members, and participants. LDCs have repeatedly requested TA to help them meet their WTO commitments, improve their capacity to negotiate in multilateral talks, and take better advantage of opportunities provided by the international trading system. IF has responded to those needs. And, while LDCs provided little input in terms of the program's design, they are represented on the SC and the IFWG, and so have some say in running the program. Nevertheless, agencies and donors have far greater representation and say on the IFWG than developing countries, which appear to be using their limited number of seats well to bring in the perspectives of the beneficiaries. Some least developed countries consider this arrangement as a weakness of the IF, suggesting that it reflects a lack of ambition of the members of the WTO, who continue to confine the IF to a simple program for delivering technical assistance related to trade. These country representatives have suggested the need for greater ownership by the LDC's and the need to turn the IF into a program with a multilateral scope for financing development of LDCs.<sup>41</sup> In any case, the extent of their voice in the governance and management of the program needs to be regularly monitored.

4.16 Even though the first stage of the DTIS process is the country's indication of interest and IF activities are coordinated with the government and the private sector, countries continue to view the program as agency-driven and lacking effective input from nongovernmental organizations and the broader involvement of civil society.<sup>42</sup>

4.17 As currently designed, the program provides diagnostic studies and a limited amount of TA through the newly established Window II, with the expectation that studies will lead to appropriate TA and infrastructure projects. An often-heard fear is that a lack of funding for needs identified in the studies could dampen the enthusiasm of LDCs for participating in the program, and a number of developing countries that received assistance have already expressed frustration with respect to this arrangement.

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<sup>41</sup> Kebe, Awa Gueye 2004.

<sup>42</sup> Nongovernmental organizations are, in fact, represented on IF's Steering Committee.

4.18 The experience of Cambodia underscores the need for effective coordination to ensure that the needs identified in diagnostic studies are addressed. Cambodia has evinced strong country ownership for IF, reflected in a high level of inter-ministerial cooperation. The country benefited from extensive TA under IF, with a focus on facilitating negotiations for accession to WTO and the development of a trade support network.<sup>43</sup> The Cambodia study identified barriers in developed economy markets that constrain the country's exports. It also pointed to the need to make Cambodian exporters more competitive and reduce the costs of exporting, with detailed TA requirements for fostering exports identified in the report.

4.19 The results of the study were presented to an international conference workshop at the CG Monterrey meeting, at which the Cambodian minister highlighted the benefits of program participation and stressed the country's commitment to strategy implementation. Yet, IF failed to win the donor backing it sought. The lack of donor commitment, coupled with the workshop's poor attendance, was a disappointment for IF, which had sought to showcase Cambodian participation at the international meeting. A recent increased effort to time IF country studies to coincide with donor meetings for countries is a welcome strategy,<sup>44</sup> as donor meetings for small countries are held relatively infrequently. Yet, countries with less committed leadership, less coordination, and lower institutional capacity have a much more difficult time ensuring that the DTIS identified needs are pushed forward.

#### **Box 6. What Are Partnerships? Who Are Members and Partners?**

- **Partnership:** An agreement between two or more parties to work together for a common purpose, with the parties committing resources (financial, technical, personnel, or reputation) to agreed objectives, to be implemented in accordance with the terms of the agreement.
- **Member:** Those who in some sense "own" the program and who have joint rights and responsibilities for the program.
- **Partner:** Members who are entitled to participate in the governance of the program, either directly or through a representative governance structure.
- **Participant:** Intermediaries who help to implement the program, generally at the country level, and who are not partners or contributors to the core program.
- **Beneficiaries:** The ultimate beneficiaries of the program at the national or local level.

#### **FINANCING OF THE PROGRAM**

4.20 Financial matters are governed by the rules and regulations of UNDP, which manages the IFTF, where contributions for both Window I and II activities are collected:

- Window I, a general fund, is used for un-earmarked contributions for diagnostic studies and mainstreaming trade. Activities seek to develop an agenda for the country's further integration into the world trading system. The program advocates appropriate trade policy and assists in the

preparation of "trade integration strategy chapters" in PRSPs, thereby establishing a

43. An informal network of public and private entities providing trade support services.

44. As CG meetings and round tables often cannot easily be synchronized with the IF cycle, separate "implementation meetings" are being organized. These meetings take place after the government formally validates the DTIS and action matrix. During meetings, donors can indicate the matrix areas in which they have an interest, with separate follow-up meetings between donors and governments to identify and formulate concrete projects. IF countries for which implementation meetings have taken place include Mauritania, Senegal, Madagascar, Nepal and Ethiopia.

link between trade policy reform and poverty reduction. The program's country diagnostic studies fall under this category.

- Window II contributions are allocated to specific, capacity-building programs. Window II contributions fund national and regional projects that build expertise on the multilateral trading system, develop trade negotiation skills, regional integration consonant with the growth of an open rule-based system, and policies for trade facilitation. Activities include pre-feasibility studies and project proposals for trade and investment financing, capacity building for institutions and individuals, improvement of the legal and business regulatory environment, implementation of WTO agreements, and improvement of the ability of countries to participate in the multilateral trading system. All IF countries in which national workshops have taken place are preparing Window II projects, which must be approved at the national level by a local Project Approval Committee. Most projects are sector-specific or aimed at strengthening the capacity of the country's Ministry of Trade.

4.21 As shown in Table 1, cumulative pledges from the program's 17 bilateral and multilateral donors amounted to \$21.1 million as of February 2004, with \$13.1 million in Window I pledges and \$8.0 million pledged to Window II.<sup>45</sup> The Bank, which serves as the principal implementing agency for DTIS implementation, has pledged \$1.8 million in Development Grant Fund (DGF) funding for three years, ending in FY04.

**Table 1. IFTF Pledges 2001-2005**

<i>Year</i>	<i>Pledges to Window I</i>	<i>Pledges to Window II</i>	<i>Total Pledges</i>
2001*	3,954,325	0	3,954,325
2002*	5,652,171	500,000	6,152,171
2003	1,808,328	3,965,605	5,773,933
2004	1,700,000	2,500,000	4,200,000
2005	0	1,000,000	1,000,000
<b>Total</b>	<b>13,114,824</b>	<b>7,965,605</b>	<b>21,080,429</b>

Table taken from Report of the 38<sup>th</sup> Meeting of IFWG, February 9-10, 2004. Figures for 2001 and 2002 include retained interest earnings.

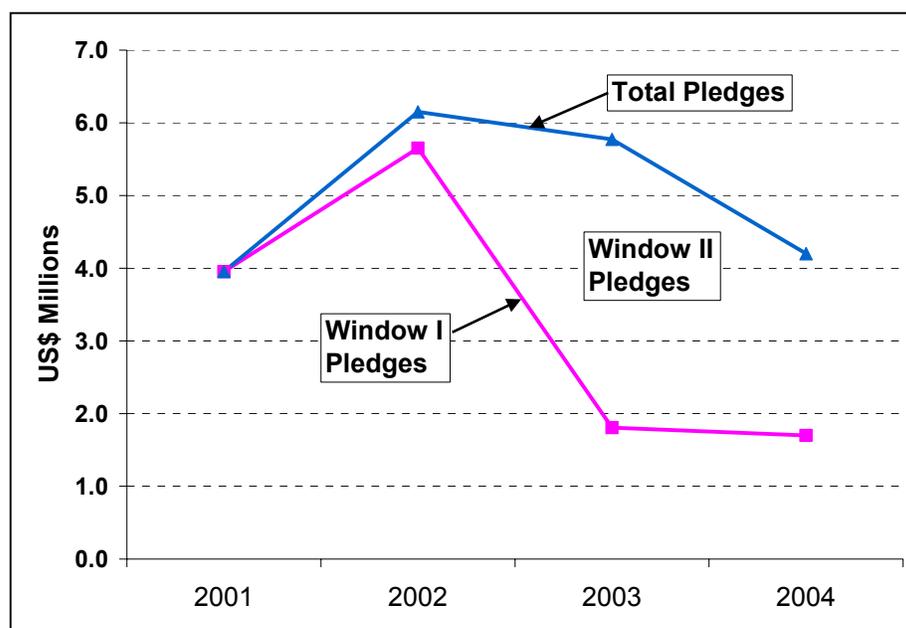
4.22 Although it mobilizes new resources to a limited extent, IF can also be seen as replacing resources UNCTAD provided in the past for trade-related technical assistance. Taking this perspective, most of IF's funding merely substitutes for other sources of financing that would otherwise be available for trade assistance. As indicated in Figure 1, pledges for both Window I and Window II of the program have declined over the last few years. So, in terms of mobilizing new resources, IF has not been particularly efficient.<sup>46</sup> But much the same can be said about many other global programs. At the aggregate level, according to OED's Phase 2 studies, there is no evidence that global programs have added

45. Expenditures incurred by the staff of the agencies in implementing the program, including salaries, are to be covered by the budgets of the agencies, not the Trust Fund.

46. IF helps donors identify concrete trade-related projects. Most bilateral donors have sectoral/economic programs or private sector development programs. But identification of concrete projects in these areas is not always easy, and IF can play a useful role.

new money to official development assistance, except for new funds from private sources.<sup>47</sup> IF and similar programs like JITAP, can play an advocacy role in trying to persuade donors that trade is essential for economic growth, and that, within their total envelope, more trade-related technical assistance is needed to achieve this.

**Figure 1. IF Pledges Received, 2001-2004**



4.23 An OED review of several IF country studies suggests that they may be less focused and operational than needed to promote trade investment or policy and institutional reforms.<sup>48</sup> The high per-unit cost of the studies makes it unlikely that IF will be able to fund DTIS and capacity-building in all eligible countries. With its recently expanded capacity in trade, the Bank could carry out much of IF's trade-related work on its own, and likely for less money. The transaction costs of organizing IF have been considerable. The ultimate benefit that needs to be tracked is the increase in export performance that is attributable to IF.

**Table 2. IF Trust Fund Pledges and Transfers (as of January 31, 2004)**

Donor	Amount (foreign currency)	Date	Pledges Window I	Pledges Window II	Window I Installments	Window II Installments	Actual date rec'd	Total pledges (US\$)	Total Amount rec'd in US\$
Belgium	30,000,000	2001	692,942				10-Dec-02		
		2002			365,621	327,321	17-Jan-02	692,942	692,942
Canada	1,000,000	2001	660,264		660,264		28-Jun-01		

47. Two examples of global program mobilization of private funding are the Prototype Carbon Fund and the Gates Foundation.

48. IFTF reporting shows studies as budgeted at \$300,000 each. In its comments to OED on the draft of this case study, DEC stated that a net amount of \$270,000 is available for each country, including 7 percent to cover World Bank administrative costs and 3 percent for UNDP administration. In July 2003 it was decided that unused DTIS funds would be returned to the IF Trust Fund.

<i>Donor</i>	<i>Amount (foreign currency)</i>	<i>Date</i>	<i>Pledges Window I</i>	<i>Pledges Window II</i>	<i>Window I Installments</i>	<i>Window II Installments</i>	<i>Actual date rec'd</i>	<i>Total pledges (US\$)</i>	<i>Total Amount rec'd in US\$</i>
	1,000,000	2003		671,141		671,141	15-Jan-03	1,331,405	1,331,405
Denmark	2,500,000	2001	281,168		281,168		11-Jun-01		
		2002							
	18,930,000	2003		1,000,000		1,000,000	3-Nov-03		
		2004		1,000,000					
		2005		1,000,000				3,281,168	1,281,168
Finland	1,000,000	2001	154,497		154,497		28-Sep-01		
		2003						154,497	154,497
France	500,000	2001							
		2003	538,213		538,213		1-May-03	538,213	538,213
Ireland	299,950	2001	299,950		299,950		15-Jul-01		
	200,000	2003	235,571			235,571		535,521	535,521
Italy	0	2001	0			0			
Japan	500,000	2001							
		2002		500,000		500,000	1-Jun-02	500,000	500,000
Netherlan ds	874,500	2001	330,000		330,000		7-Dec-01		
	450,000	2003	250,000		250,000		17-Nov-03	780,000	580,000
		2004	200,000				04-Mar-04		
Norway	4,500,000	2001	511,946		511,946		21-Nov-01		
	9,500,000	2002	1,303,209		1,303,209		23-Jan-03		
	14,000,000	2003		2,000,000		2,000,000	2-Dec-03	3,815,155	3,815,155
Sweden	3,000,000	2001	323,558		328,558		21-Dec-01		
	9,000,000	2002	982,222		982,222		17-Jan-03		
	1,554,000	2004		200,000		200,000		1,505,780	1,510,780
Switzerlan d	500,000	2001	200,000		200,000		21-Sep-01		
		2003	300,000			300,000	23-Jan-03		
	1,500,000	2004	1,500,000				Feb-04'	2,000,000	500,000
United Kingdom	500,000	2001	500,000		500,000		13-Jun-01		
	1,000,000	2002	1,428,572		1,428,572		16-Apr-02		
		2003						2,928,572	2,428,572
	1,000,000	2004		1,000,000		500,000	16-Feb		
United States		2001							
	400,000	2003	400,000		400,000		27-Jan-03	400,000	400,000
European Com	200,000	2001							
		2002	138,168		138,168		14-Mar-02		
	250,000	2003	34,544	294,464	34,544		3-Nov-03	467,176	172,712
UNDP	300,000	2001	0		0				
		2002	300,000		300,000		5-Jan-02		
	50,000	2003	50,000		50,000	0	30-Nov-03	350,000	350,000
World Bank		2001							

<i>Donor</i>	<i>Amount (foreign currency)</i>	<i>Date</i>	<i>Pledges Window I</i>	<i>Pledges Window II</i>	<i>Window I Installments</i>	<i>Window II Installments</i>	<i>Actual date rec'd</i>	<i>Total pledges (US\$)</i>	<i>Total Amount rec'd in US\$</i>
	1,500,000	2002	1,500,000		500,000				
		2003			500,000		4-Feb-02		
	300,000	2004		300,000	500,000			1,800,000	1,500,000

*Source: February 2004 IFTF Report by UNDP, World Trade Organization, Geneva, Switzerland.*

4.24 Three of IF's agencies (UNCTAD, WTO, and ITC) are involved in another technical assistance program for developing countries – the Joint Integrated Technical Assistance Programme.<sup>49</sup> IF is only for LDCs. Requests from other developing countries for TA cannot be met, as they are not covered by IF and donors are not willing to provide renewed lending for JITAP or a similar program. At the moment, requests by other developing countries for TA have to be met from the regular budgets of the agencies. According to UN agency staff, they are not able to provide such TA due to tight budgets.

4.25 Staff members from the agencies believe IF should provide the technical assistance identified in diagnostic studies. This would prolong the program, particularly given that TA and strategy implementation could reveal new areas requiring analysis. If that occurs, new funding sources must be identified, including incremental donor funding for activities under Window II of the IF Trust Fund.<sup>50</sup> Many of the issues raised by IF studies could also be covered by a new Bank initiative, the Trade Facilitation Initiative, which would expand the resources available for addressing the constraints identified in IF studies. Announced at the Doha Round in Cancún, Mexico, the initiative will provide a full menu of trade infrastructure support for countries, including specialized expertise and financial support for project preparation and access to external partnerships through fundraising from new trust funds. In addition to providing training, the effort will achieve important efficiencies by developing and disseminating shared tools, including trade facilitation toolkits, best-practice case studies, and standard terms of reference for preparing multiple projects on common issues. While the other IF implementing agency partners are not involved in this effort, the Bank will solicit input from both agencies and countries as it begins the process of tailoring country-specific programs. But the relationship between the two was unclear at the time of the writing.

4.26 Implementation will demonstrate whether the Trade Facilitation is the most appropriate delivery instrument for Bank assistance in addressing trade gaps. Adopting a strategy of pro-active engagement, including articulating linkages and areas of potential synergy between IF and the new initiative, would serve IF well by demonstrating its support for the initiative and highlighting IF's own value added as a Bank global program. It would also be prudent to identify early on areas of potential overlap between the two efforts that could lead to friction or competition, such as overlapping mandates or common claim to a limited pool of resources. OED agrees with the assessment of many Bank regional staff members that resolving funding issues will be key, including clarifying financing sources for

49. The program has been evaluated in the Report of the Summative Evaluation of the Joint Integrated Technical Assistance Programme, dated June 6, 2002.

50. WTO 2003.

the Trade Facilitation Initiative. Should financing for the initiative be left exclusively to CAS country priorities, DTIS-identified trade assistance could end up as one more item on a country's support wish list. Given the inevitable competition from sectors like health, education, water, and basic infrastructure, a lack of a clear source of funding, which should be additional to currently available resources, would risk postponement of DTIS-identified trade assistance, thereby delaying the kick-in of critical trade reform.

4.27 The World Bank and WTO have established a new \$300,000 fund, called the Standards and Trade Development Facility, to help developing countries shape and implement international standards on food safety and plant and animal health. It will provide grants and financial support for TA projects in developing countries. FAO, WHO, the World Organization for Animal Health Codex Alimentarius, and the International Plant Protection Convention at the FAO are expected to join. In addition, the WTO and UNCTAD recently set up a fund for providing TA to developing countries. These new funding mechanisms are good news for developing countries looking for ways to translate the insights gained through IF-backed diagnostic studies into concrete, on-the-ground assistance to maximize national returns from the world trading system.

4.28 But the rationale for setting up separate funds with limited membership is unclear, nor is it clear why all the international agencies involved in IF are not members. In addition, it has yet to be seen if this reduces agency coordination of TA, or if the TA corresponds to recommendations made by the country studies. Furthermore, these new funds provide only limited amounts of funding, which do not make up for other funds for TA that are no longer available. One of the shortcomings identified in the original IF – that the program did not provide for TA on the scale needed, as expected by the LDCs – still seems to remain true.

## **RISKS AND RISK MANAGEMENT**

4.29 The main risks for IF relate to the following questions:

- Have the appropriate studies been undertaken?
- Will TA identified in the studies be forthcoming in sufficient quantity and quality?
- How will its impacts be known and assessed?
- Is TA sufficient?
- Will the complementary investment and administrative measures needed to get a supply response be forthcoming after the analysis is completed?

4.30 If the studies are to succeed in getting a supply response, they must tackle sector constraints to higher production. If the appropriate sector studies are not undertaken, TA is not available, or complementary investment projects are not undertaken, LDCs may regard the program as merely trade reform under a different name. Such results would be damaging to the Bank's reputation as a leader in research on development strategies and policies and an advocate of better policies, with potentially adverse effects on its ability to influence policy reform in general. The risk is substantial, as successful exports depend not only on actions taken by the LDCs but also on the market access policies of developed countries. However, there appears to have been no analysis of the risk of disappointment and nonperformance relative to expectations created and linked to the Bank's involvement in the program.

4.31 An important risk therefore is related to the expectations of developing countries. IF implementation of studies that identify needs without following through to the logical next step of providing resources to meet those needs could be hard for countries to understand, much less accept. There is a risk that raising countries' expectations, then failing to meet them, could foster cynicism regarding donor motives and blunt the commitment of these countries to broader development goals.

## 5. Bank Performance

5.1 The Bank's multi-sectoral country-level expertise is an asset for addressing the global policy and investment gaps that currently inhibit poverty-reducing growth. Box 7 provides an overview of the Bank's comparative advantage.<sup>51</sup> Interviews indicate that the Bank's most important contributions to IF are its country-level knowledge and capacity to finance investment operations, with most of the other agencies possessing more limited expertise and institutional mandates. Country-level work can already better inform the larger global policy debate on the market-access problems of developing countries. Yet, the Bank has exploited its comparative advantage more at the global level than at the country level. The program needs to collaborate effectively with regular Bank operations so that trade-related assistance is not only reflected in PRSPs but also in the Bank's country assistance strategies. Interviews indicate a gap in the perception of needs between trade experts participating in the studies and Bank country and field specialists. At times, the lack of clear linkages between the Bank's focal point and the operational departments has limited the impact of the Bank's expertise in trade issues. Greater involvement of Bank country operational and functional specialists and developing country nationals in IF organized activities such as the regional workshops and seminars could improve ownership and impacts on the client countries.

5.2 There is also considerable uncertainty among the partners about the precise role the Bank plays in the program, even though officials from all the agencies report that it does play a very important role.<sup>52</sup> The Bank is mindful of the fact that, while trade issues for least developed countries are important, trade liberalization for the developing world as a whole must also be kept in sight. The Bank makes use of a variety of fora to address trade issues that limit the growth prospects of developing countries, although OECD countries have been reluctant to take up some perennial issues, including agricultural trade liberalization and

### Box 7. What Is the Bank's Comparative Advantage?

"A significant comparative advantage for the Bank" is arguably the most important criterion for the Bank's participation in individual global programs, since three sets of criteria refer to this – the overarching criteria endorsed by the Development Committee, the approval criteria established by Bank Management, and the eligibility criteria for grant support from DGF.

The Bank's Strategic Directions Paper for fiscal 2002-2004 identified three comparative advantages for the Bank **at the global level** – global mandate and reach, convening power, and ability to mobilize financial resources – and three **at the country level** – multisectoral capacity, expertise in country and sector analysis, and in-depth country-level knowledge.

51. For example, there is an urgent need to tackle global policy issues such as WTO rules on intellectual property rights and the tariff and non-tariff barriers of OECD countries, which adversely affect incentives, inhibit investments, and lower the speed of growth and rate of poverty reduction.

52. There was considerable difference of opinion among DEC and Country economists in terms of the role the Bank can realistically play in the IF, if it is to be one more un-funded mandate for meeting the investment needs of developing countries.

subsidies. The Bank's criteria for involvement in partnerships and global programs are listed in Box 8.

5.3 Similar to several other programs included in OED's global evaluation,<sup>53</sup> IF finances country-level technical assistance to achieve policy or institutional reforms to stimulate public and private investments in sectors. One issue that bears reflection is how the IF and other global programs that finance country-level assistance relate to the DGF subsidiarity criterion. Overall, though, IF appears to fulfill the stated criteria for Bank partnership in a global program, with objectives that link to the Bank's core institutional objectives.

5.4 The country studies have highlighted market access problems faced by LDCs. In that respect, the studies complement the market access problems highlighted in other Bank trade work. The combination of analysis at the global and the country levels provides a platform for the

Bank to advocate the elimination of market access barriers, leading to a freer world trading system. The Bank has not been a catalyzing agent in raising resources or in setting up the partnership, but it has been instrumental in achieving the acceptance of mainstreaming trade in country development strategies as the program's primary focus. This is mainly due to the initiative of the Bank's central units, DEC and PREM. PREM carries out policy work, whereas operational work is carried out in the Bank's six regions. The link among them has not been strong, leading the Development Economics Vice Presidency and PREM to provide the resources to regional and country economists to get them involved, increase their sense of ownership of IF, and ensure that IF leads to greater resource mobilization for trade-related investments through Bank- and other donor-delivered lending, credits, and grants. The 2003 evaluation noted the lack of awareness of IF among operational-level country staff, and the

### **Box 8. Bank Criteria for Involvement in Partnerships and Global Programs**

#### *Criteria for Bank Involvement in Global Programs*

- A clear value is added to Bank's development objectives.
- The need for Bank action to catalyze other resources and partnerships.
- A significant comparative advantage for the Bank.
- An emerging international consensus exists that global action is required.

#### *Bank's Global Public Goods Priorities*

- Communicable diseases.
- Environmental commons.
- Information and knowledge.
- Trade and integration.
- International financial architecture.

#### *Approval Criteria for Engaging in Partnerships*

- A clear linkage to core institutional objectives and to the Bank's country operational work.
- A strong case for Bank participation based on comparative advantage.
- A clear analysis of financial and reputational risks to the Bank and how these will be managed.
- A thorough analysis of expected level of Bank's resources required, both in money and time, as well as the contribution of other partners.
- A clear delineation of how the new commitment will be implemented, managed, and assessed.
- A clear plan for communicating with and involving key stakeholders, and for informing and consulting the Executive Directors.

53. The Public-Private Infrastructure Advisory Facility (PPIAF), Cities Alliance, and FIRST.

corresponding lack of priority they place on implementing the recommendations of the diagnostic studies.<sup>54</sup>

5.5 However, analysis of the resources needed to fulfill the objectives of the program is lacking, and the human and financial capacity of the other agencies has not been analyzed in relation to their program roles. Finally, there is no evidence that the Bank's involvement has had a leveraging effect on financial resources for investments, although IF has increased the Bank's capacity to address market access issues and bring them more effectively to the attention of developed countries. OED interviews indicate the desire for the Bank to do more in follow-up activities to respond to the needs identified in the studies, which include a mix of policy advice, technical and financial assistance.

## 6. Findings and Lessons

6.1 **Despite the restructuring, some of the weaknesses of the original program remain, including insufficient focus on improved trade outcomes rather than on the process alone, and the shortage of resources to meet the mounting demands for technical assistance in developing countries.** Moreover, even the revamped IF does not address the various external market access and internal supply constraints that the studies identify and that matter most to developing countries. IF may have contributed to placing trade back on the development agenda of LDCs through the joint work of international agencies. But the objective of fully mainstreaming trade in PRSPs and other development planning documents needs to extend to improving the level and content of aid and trade policies of developing countries and donors beyond what even the redesigned IF achieves. This calls for holistic, results-based program management processes to achieve improved trade outcomes for developing countries. These need to be combined with on-the-ground action, well-defined roles of partners, and minimum transaction costs, supported by the necessary financial and administrative resources for a program that has now created too many expectations on which it is unable to deliver.

6.2 **A results-oriented approach may help in the design of a more responsive and appropriate program.** A related issue is whether a program has the right objectives or has merely adopted the objectives that fit the available financial resources and the agreed partnership and management arrangements. A growing number of program-level evaluations are now using results-based frameworks, including the Capra-TFOC external evaluation of IF and the OED evaluation of the program in 2000. Such evaluations tend to recommend that programs adopt management practices, develop performance indicators related to outcomes rather than outputs alone, and generally adopt more businesslike management practices. OED agrees that IF needs to focus on and monitor results and impacts *at the country level* in addition to its current practice of monitoring process and outputs, in the form of number of studies completed and reflected in PRSPs, at the global program level. IF also needs to incorporate the appropriate country-level management strategies and measurement tools to ensure country-level results. Achieving this will require better governance and a more holistic view of the program, as well as the development of program outcomes and impact at

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54. The experience of Cambodia suggests that there may be other problems. The results of Cambodia's DTIS were presented to the CG meeting. Although the government stressed its commitment to strategy implementation, it had difficulty securing financing for the suggested projects.

all levels and for all partners. The recent steps during the last IFWG to request countries to complete a questionnaire indicating specific information on the implementation process, and the identification of gaps by donors and governments in Senegal and Madagascar are encouraging signs. The question is whether the program will evolve rapidly to be more results-oriented in terms of demonstrating its effectiveness in achieving specific outcomes (changed policies, increased investments and improved regulatory framework) and impacts (improved trade outcomes for developing countries in such areas as increased export volumes and prices).

**6.3 Divergence in expectations between the intended beneficiaries and donors designing programs results in insufficient ownership.** IF illustrates the sharp contrasts in the objectives and expectations of industrialized and developing countries. Industrialized countries want to improve the domestic policy and regulatory framework in developing countries, but the financial mechanisms to be worked out through the PRSP process are neither adequate nor working well. This priority of industrialized countries is generally reflected in the donor message that actions will follow once the DTIS concerns are reflected in PRSPs. At the same time, developing countries are demanding more resources for technical assistance to meet the domestic training, institutional and procedural gaps, and investment resources to address internal supply constraints. They are also asking for access to open and fair markets for their products in industrialized countries. In addition, the substantial divergence in agency/country expectations on whether IF should be providing countries with the additional financial resources to act on DTIS recommendations bolsters the impression that IF lacks developing country ownership because it is largely seen by countries and some in the international organizations as run by, and for the six international agency partners.

**6.4 Developing countries may see the unstated objective of enhancing donor and international agency partnerships as IF's real focus, rather than its stated objectives of mainstreaming trade into country development and delivering trade-related technical assistance.** While donor cooperation at the global level is a positive phenomenon, donor global and country links, and donor cooperation or awareness of the IF at the country level are weak. The program provides for very few resources to ensure the development of understanding and cooperation at the country level, and it cannot substitute for the lack of developing country ownership noted by the Capra-TFOC evaluation. Increasing IF's focus on the needs of countries, improving governance, and redoubling its efforts to go beyond identifying to actually meeting country needs, would go far in changing this perception.

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## Annex A. Evaluation Framework for Phase 2 Report and 26 Case Studies

1. The Phase 2 Report and each case study follows a common outline and addresses 20 evaluation questions (Table A.1) that have been derived from OED's standard evaluation criteria (Table A.2), the 14 eligibility and approval criteria for global programs (Table A.3), and the 8 eligibility criteria for grant support from the Development Grant Facility (Table A.4).

2. The sheer number of these criteria, some of which overlap, can be daunting even to an evaluator. Hence the OED evaluation team has reorganized these criteria into four major evaluation issues, which correspond to the four major sections of each report (Table A.1):

- The overarching global relevance of the program
- Outcomes and impacts of the program and their sustainability
- Governance, management, and financing of the program
- The World Bank's performance as a partner in the program

3. These four issues correspond roughly to OED's evaluation criteria of relevance, efficacy, efficiency, and Bank performance, **appropriately interpreted and expanded for the case of global programs**. In the case of global programs, **relevance** must be measured not only against individual borrowing countries' priorities and Bank priorities, but also in terms of the interplay between global challenges and concerns on the one hand and country needs and priorities on the other. The former are typically articulated by the "global community" by a variety of different stakeholders and are reflected in a variety of ways such as formal international conventions to which developing countries are signatories; less formal international agreements reached at major international meetings and conferences; formal and informal international standards and protocols promoted by international organizations, NGOs, etc.; the Millennium Development Goals; and the Bank's and the Development Committee's eligibility criteria for global programs. While sponsorship of a program by significant international organizations may enhance "legitimacy" of a global program in the Bank's client countries, it is by no means a sufficient condition for developing country ownership, nor for ensuring its development effectiveness. "Relevance" and ownership by the Bank's client countries is more assured if the program is demanded by them. On other hand some "supply-led" programs may also acquire ownership over time by demonstrating substantial impacts, as in the case of the internet. Assessing relevance is by far the most challenging task in global programs since global and country resources, comparative advantages, benefit, costs, and priorities do not always coincide. Indeed the divergence of benefits and costs between the global level and the country level is often a fundamental reason for the provision of global public goods. Evaluating the relevance of global action to the Bank's client countries is however important because the global *development* agenda is becoming highly crowded and resources to finance it have remained relatively stagnant, therefore highlighting issues of selectivity.

4. For the global programs that have been operating for some time, **efficacy** can be assessed not only in terms of program outcomes but more crucially in terms of impacts on the ground in developing countries. Outcomes and impacts in turn depend on the clarity and evaluability of each program's objectives, the quality of the monitoring and evaluation of results and, where appropriate, the effectiveness of the links of global program activities to the country level.

5. Since global programs are partnerships, **efficiency** must include an assessment of the extent to which the benefit-cost calculus in collective organizational, management and financing arrangements is superior to achieving the same results by the individual partners acting alone. The institutional development impact and the sustainability of the program itself (as opposed to that of the outcomes and impacts of the program's activities) are also addressed in this section of each report.

6. Finally, this being an OED evaluation, it focuses primarily on the **Bank's strategic role and performance** in playing up to its comparative advantage relative to other partners in each program. The Bank plays varied roles in global programs as a convener, trustee, donor to global programs, and lender to developing countries. The Bank's financial support to global programs – including oversight and liaison activities and linkages to the Bank's regional operations – comes from a combination of the Bank's net income (for DGF grants), the Bank's administrative budget, and Bank-administered trust funds. In the case of the Global Environmental Facility (GEF) the Bank is a trustee and in the case of the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria (GFATM), a "limited" trustee. In the case of GEF and MLF the Bank is also an implementing agency. Thus, the assessment of Bank performance includes the use of the Bank's convening power, the Bank's trusteeship, Bank financing and implementation of global programs, and, where appropriate and necessary, linkages to the Bank's country operations. Bank oversight of this entire set of activities is an important aspect of the Bank's strategic and programmatic management of its portfolio of global programs.

7. The first column in Table A.1 indicates how the four sections and 20 evaluation questions addressed in the Phase 2 Report and case studies relates to the eight evaluation issues that were raised by the Bank's Executive Board in the various Board discussions of global programs during the design phase of OED's global evaluation and identified in the OED's Evaluation Strategy paper:<sup>1</sup>

- Selectivity
- Monitoring and evaluation
- Governance and management
- Partnerships and participation
- Financing
- Risks and risk management
- Linkages to country operations

8. The third column in Table A.1 indicates how the four sections and 20 evaluation questions relate to OED's standard evaluation criteria for investment projects (Table A.2), the 14 criteria endorsed by the Development Committee and established by Bank management for approving the Bank's involvement in global programs (Table A.3), and the 8 criteria for grant support from the Development Grant Facility (Table A.4).

9. The 14 **eligibility and approval criteria** for the Bank's involvement in global programs have evolved since April 2000 when Bank management first proposed a strategy to the Bank's Executive Board for the Bank's involvement in global programs and include the *four overarching*

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<sup>1</sup> OED, The World Bank and Global Public Policies and Programs: An Evaluation Strategy, July 16, 2001, page 21. "Partnerships and participation" were originally listed as two separate evaluation issues in the evaluation strategy document. "Monitoring and evaluation" is now interpreted more broadly to include not only an assessment of the monitoring and evaluation procedures of each program but also the findings of previous evaluations with respect to the outcomes and impacts of each program, and their sustainability.

*criteria* endorsed by the Development Committee, and the *four eligibility criteria* and *six approval criteria* presented by Bank management to the Bank’s Executive Board. Each global program must meet at least **one** of the four relatively more substantive eligibility criteria and **all six** of the relatively more process-oriented approval criteria. The first two eligibility criteria relate directly to the Bank’s global public goods and corporate advocacy priorities (Table A.3). Although the six approval criteria resemble the topics covered in a project concept or appraisal document for Bank lending operations, unlike for Bank lending operations, there is currently only a one-step approval process for new global programs – at the concept stage and not at the appraisal stage. And new global programs only have to be approved by the Bank managing director responsible for the Network proposing a new program, not by the Bank’s Executive Board.

10. While the approval of new global programs is logically separate from and prior to their financing (whether from the DGF, trust funds, or other sources), the eight **DGF eligibility criteria** for grant support from the DGF (Table A.4) were actually established in 1998. Twenty out of the 26 case study programs and about two-thirds of the Bank’s total portfolio of 70 global programs have received DGF grants.

**Table A.1. Key Evaluation Issues and Questions**

Evaluation Issues	Evaluation Questions	Reference
<b>Section I. Overarching Global Relevance of the Program</b>		
1. Selectivity	<b>1. Relevance.</b> To what extent are the programs: <ul style="list-style-type: none"> <li>• Addressing global challenges and concerns in the sector</li> <li>• Consistent with client countries’ current development priorities</li> <li>• Consistent with the Bank’s mission, corporate priorities, and sectoral and country assistance strategies?</li> </ul>	A modification of OED’s relevance criterion (Table A.2) for the purpose of global programs.  The third bullet also relates to managing director (MD) approval criterion #1 regarding a “clear linkage to the Bank’s core institutional objectives” (Table A.3).
	<b>2. International consensus.</b> To what extent did the programs arise out of an international consensus, formal or informal: <ul style="list-style-type: none"> <li>• Concerning the main global challenges and concerns in the sector</li> <li>• That global collective action is required to address these challenges and concerns?</li> </ul>	Development Committee (DC) criterion #4 (Table A.3).
	<b>3. Strategic focus.</b> To what extent are the programs: <ul style="list-style-type: none"> <li>• Providing global and regional public goods</li> <li>• Supporting international advocacy to improve policies at the national level</li> <li>• Producing and delivering cross-country lessons of relevance to client countries</li> <li>• Mobilizing substantial incremental resources?</li> </ul>	The four bullets correspond to the four MD eligibility criteria (Table A.3).
	<b>4. Subsidiarity.</b> To what extent do the activities of the programs complement, substitute for, or compete with regular Bank instruments?	DGF eligibility criterion #1 (Table A.4).

Evaluation Issues	Evaluation Questions	Reference
<b>Section II. Outcomes, Impacts, and their Sustainability</b>		
	<p><b>5. Efficacy.</b> To what extent have the programs achieved, or are expected to achieve, their stated objectives, taking into account their relative importance?</p>	OED's efficacy criterion (Table A.2).
2. Monitoring and evaluation	<p><b>6. Value added.</b> To what extent are the programs adding value to:</p> <ul style="list-style-type: none"> <li>• What the Bank is doing in the sector to achieve its core mission of poverty alleviation and sustainable development</li> <li>• What developing and transition countries are doing in the sector in accordance with their own priorities?</li> </ul>	The first bullet corresponds to DC criterion #1 (Table A.3).
	<p><b>7. Monitoring and evaluation.</b> To what extent do the programs have effective monitoring and evaluation:</p> <ul style="list-style-type: none"> <li>• Clear program and component objectives verifiable by indicators</li> <li>• A structured set of quantitative or qualitative indicators</li> <li>• Systematic and regular processes for data collection and management</li> <li>• Independence of program-level evaluations</li> <li>• Effective feedback from monitoring and evaluation to program objectives, governance, management, and financing?</li> </ul>	MD approval criterion #6 (Table A.3), since effective communications with key stakeholders, including the Bank's Executive Directors, requires good monitoring and evaluation practices.
	<p><b>8. Sustainability of outcomes and impacts.</b> To what extent are the outcomes and impacts of the programs resilient to risk over time?</p>	OED's sustainability criterion (Table A.2).
<b>Section III. Organization, Management, and Financing of the Program</b>		
3. Governance and management	<p><b>9. Efficiency.</b> To what extent have the programs achieved, or are expected to achieve:</p> <ul style="list-style-type: none"> <li>• Benefits more cost-effectively than providing the same service on a country-by-country basis</li> <li>• Benefits more cost-effectively than if the individual contributors to the program acted alone?</li> </ul>	<p>A modification of OED's efficacy criterion for the purpose of global programs (Table A.2).</p> <p>The first bullet also relates to MD eligibility criterion #3 (Table A.3) and DGF eligibility criterion #3 (Table A.4).</p>
	<p><b>10. Legitimacy.</b> To what extent is the authorizing environment for the programs effectively derived from those with a legitimate interest in the program (including donors, developing and transition countries, clients, and other stakeholders), taking into account their relative importance.</p>	A modification of OED's evaluation criteria (Table A.2) for the purpose of global programs.

Evaluation Issues	Evaluation Questions	Reference
	<p><b>11. Governance and management.</b> To what extent are the governance and management of the programs:</p> <ul style="list-style-type: none"> <li>• Transparent in providing information about the programs</li> <li>• Clear with respect to roles &amp; responsibilities</li> <li>• Fair to immediate clients</li> <li>• Accountable to donors, developing and transition countries, scientists/professionals, and other stakeholders?</li> </ul>	MD approval criterion #5 (Tables B.3) and DGF eligibility criterion #5 (Table A.4).
4. Partnerships and participation	<p><b>12. Partnerships and participation.</b> To what extent do developing and transition country partners, clients, and beneficiaries participate and exercise effective voice in the various aspects of the programs:</p> <ul style="list-style-type: none"> <li>• Design</li> <li>• Governance</li> <li>• Implementation</li> <li>• Monitoring and evaluation?</li> </ul>	DGF eligibility criterion #8 (Table A.4).
5. Financing	<p><b>13. Financing.</b> To what extent are the sources of funding for the programs affecting, positively or negatively:</p> <ul style="list-style-type: none"> <li>• The strategic focus of the program</li> <li>• The governance and management of the program</li> <li>• The sustainability of the program?</li> </ul>	MD approval criterion #4. (Table A.3). The third bullet also relates to OED's sustainability criterion (Table A.2).
	<p><b>14. Bank action to catalyze.</b> To what extent has the Bank's presence as a partner in the programs catalyzed, or is catalyzing non-Bank resources for the programs?</p>	DC criterion #2 (Table A.3) and DGF eligibility criterion #4 (Table A.4).
	<p><b>15. Institutional development impact.</b> To what extent has the program established effective institutional arrangements to make efficient, equitable, and sustainable use of the collective financial, human, and other resources contributed to the program.</p>	A modification of OED's institutional development impact criterion (Table A.2) for the purpose of global programs.
6. Risks and risk management	<p><b>16. Risks and risk management.</b> To what extent have the risks associated with the programs been identified and are being effectively managed?</p>	MD approval criterion #3 (Table A.3).
<b>Section IV. World Bank's Performance</b>		
7. Linkages to country operations	<p><b>17. Comparative advantage.</b> To what extent is the Bank playing up to its comparative advantages in relation to other partners in the programs:</p> <ul style="list-style-type: none"> <li>• At the global level (global mandate and reach, convening power, mobilizing resources)</li> <li>• At the country level (multi-sector capacity, analytical expertise, country-level knowledge)?</li> </ul>	DC criterion #3 (Table A.3), MD approval criterion #2 (Table A.3), and DGF eligibility criterion #2 (Table A.4).

Evaluation Issues	Evaluation Questions	Reference
	<p><b>18. Linkages to country operations.</b> To what extent are there effective and complementary linkages, where needed, between global program activities and the Bank's country operations, to the mutual benefit of each?</p>	<p>MD approval criterion #1 (Table A.3) regarding "linkages to the Bank's country operational work."</p>
	<p><b>19. Oversight.</b> To what extent is the Bank exercising effective and independent oversight of its involvement in the programs, as appropriate, for in-house and externally managed programs, respectively.</p>	<p>This relates to DGF eligibility criterion #6 on "arm's length relationship" (Table A.4). Both questions 17 and 18 together relate to OED's Bank performance criterion (Table A.2).</p>
	<p><b>20. Disengagement strategy.</b> To what extent is the Bank facilitating effective, flexible, and transparent disengagement strategies, as appropriate?</p>	<p>DGF eligibility criterion #7 (Table A.4).</p>

**Table A.2. Standard OED Evaluation Criteria**

Criterion	Standard Definitions for Lending Operations	Possible Ratings
<i>Relevance</i>	The extent to which the project's objectives are consistent (1) with the country's current development priorities and (2) with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies).	High, substantial, modest, negligible.
<i>Efficacy</i>	The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance.	High, substantial, modest, negligible.
<i>Efficiency</i>	The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives.	High, substantial, modest, negligible.
<i>Legitimacy</i> /1	The extent to which the authority exercised by the program is effectively derived from those with a legitimate interest in the program (including donors, developing and transition countries, clients, and other stakeholders), taking into account their relative importance.	High, substantial, modest, negligible.
<i>Institutional development impact</i>	The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. IDI includes both intended and unintended effects of a project.	High, substantial, negligible, modest.
<i>Sustainability</i>	The resilience to risk of net benefits flows over time.	Highly likely, likely, unlikely, highly unlikely.
<i>Outcome</i>	The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently.	Highly satisfactory, satisfactory, moderately satisfactory, moderately unsatisfactory, unsatisfactory, highly unsatisfactory
<i>Bank performance</i>	The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project).	Highly satisfactory, satisfactory, unsatisfactory, highly unsatisfactory.
<i>Borrower performance</i>	The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development objectives and sustainability.	Highly satisfactory, satisfactory, unsatisfactory, highly unsatisfactory.

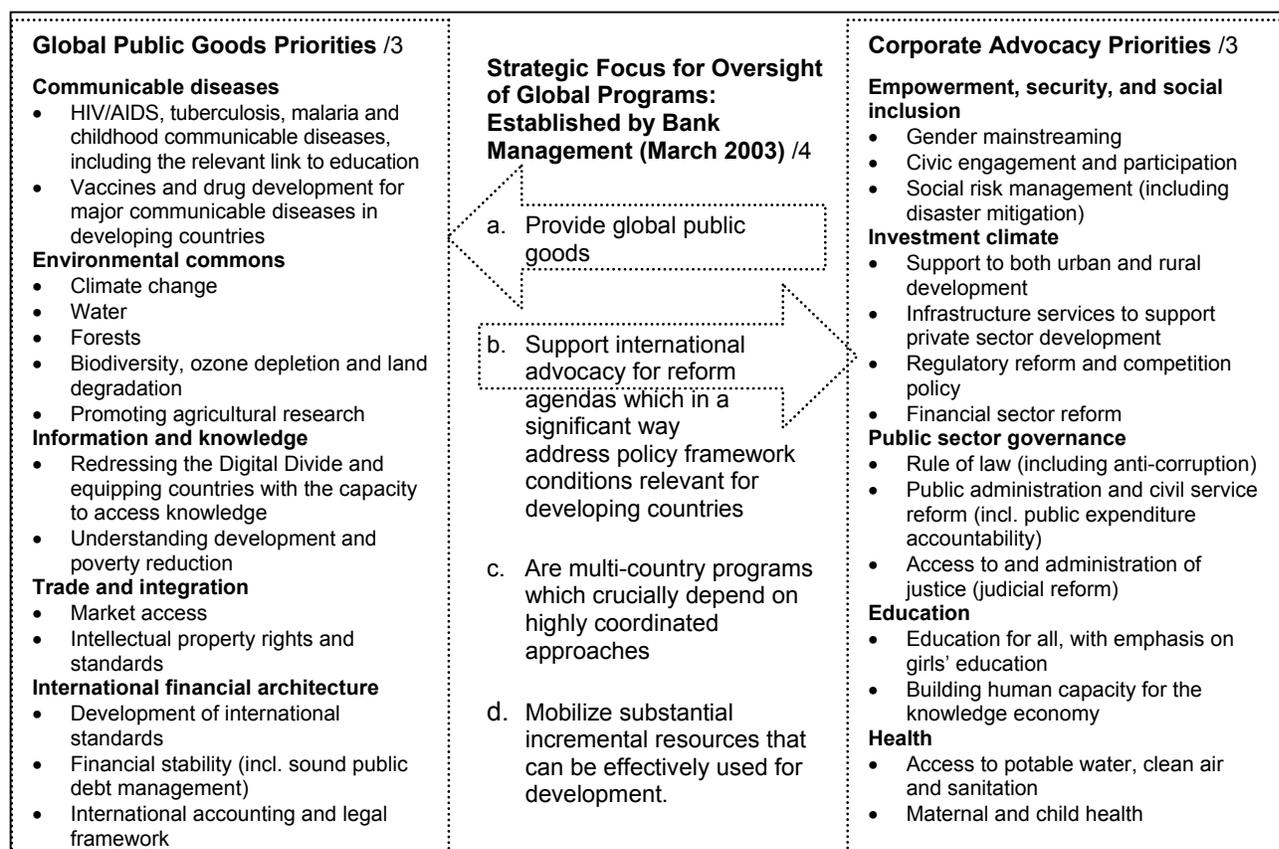
/1 This represents an addition to OED's standard evaluation criteria in the case of global programs, since effective governance of global programs is concerned with legitimacy in the exercise of authority in addition to efficiency in the use of resources.

**Table A.3. Selectivity and Oversight of Global Programs****Selectivity Criteria for Bank Involvement in Global Public Goods:  
Endorsed by Development Committee (September 2000) /1**

1. An emerging international consensus that global action is required
2. A clear value added to the Bank's development objectives
3. The need for Bank action to catalyze other resources and partnerships
4. A significant comparative advantage for the Bank.

**Approval Criteria for Bank Involvement in Partnership Initiatives Beyond the Country Level:  
Established by Bank Management (November 2000) /2**

1. A clear linkage to the Bank's core institutional objectives and, above all, to the Bank's country operational work
2. A strong case for Bank participation based on comparative advantage
3. A clear assessment of the financial and reputational risks to the Bank and how these will be managed
4. A thorough analysis of the expected level of Bank resources required, both money and time, as well as the contribution of other partners
5. A clear delineation of how the new commitment will be implemented, managed, and assessed
6. A clear plan for communicating with and involving key stakeholders, and for informing and consulting the Executive Directors.



/1 From the Development Committee Communiqué issued on September 25, 2000. Both the Development Committee and Bank Management envisaged global programs as being the principal instrument for Bank involvement in providing global public goods.

/2 The Initiating Concept Memorandum in the Partnership Approval and Tracking System (PATS) was initially organized according to these six criteria.

/3 These are the five corporate advocacy priorities and the five global public goods priorities (and bulleted sub-categories) from the *Strategic Directions Paper for FY02-04*, March 28, 2001. Within the Partnership Approval and Tracking System (PATS), global programs are expected to identify, for tracking purposes, their alignment with at least one of these ten corporate priorities.

**Table A.4. Eligibility Criteria for Grant Support from the Development Grant Facility**

1. Subsidiarity	The program contributes to furthering the Bank's development and resource mobilization objectives in fields basic to its operations, but it does not compete with or substitute for regular Bank instruments. Grants should address new or critical development problems, and should be clearly distinguishable from the Bank's regular programs.
2. Comparative advantage	The Bank has a distinct comparative advantage in being associated with the program; it does not replicate the role of other donors. The relevant operational strengths of the Bank are in economic, policy, sector and project analysis, and management of development activities. In administering grants, the Bank has expertise in donor coordination, fund raising, and fund management.
3. Multi-country benefits	The program encompasses multi-country benefits or activities which it would not be efficient, practical or appropriate to undertake at the country level. For example, informational economies of scale are important for research and technology work, and operations to control diseases or address environmental concerns (such as protect fragile ecosystems) might require a regional or global scope to be effective. In the case of grants directed to a single country, the program will encompass capacity-building activities where this is a significant part of the Country Assistance Strategy and cannot be supported by other Bank instruments or by other donors. This will include, in particular, programs funded under the Institutional Development Fund, and programs related to initial post-conflict reconstruction efforts (e.g., in countries or territories emerging from internal strife or instability).
4. Leverage	The Bank's presence provides significant leverage for generating financial support from other donors. Bank involvement should provide assurance to other donors of program effectiveness, as well as sound financial management and administration. Grants should generally not exceed 15 percent of expected funding over the life of Bank funding to a given program, or over the rolling 3-year plan period, whichever is shorter. Where grant programs belong to new areas of activities (involving, e.g., innovations, pilot projects, or seed-capital) some flexibility is allowed for the Bank's financial leverage to build over time, and the target for the Bank grant not to exceed 15 percent of total expected funding will be pursued after allowing for an initial start-up phase (maximum 3 years).
5. Managerial competence	The grant is normally given to an institution with a record of achievement in the program area and financial probity. A new institution may have to be created where no suitable institution exists. The quality of the activities implemented by the recipient institution (existing or new) and the competence of its management are important considerations.
6. Arm's length relationship	The management of the recipient institution is independent of the Bank Group. While quality an arm's length relationship with the Bank's regular programs is essential, the Bank may have a role in the governance of the institution through membership in its governing board or oversight committee. In cases of highly innovative or experimental programs, Bank involvement in supporting the recipient to execute the program will be allowed. This will provide the Bank with an opportunity to benefit from the learning experience, and to build operational links to increase its capacity to deliver more efficient services to client countries.
7. Disengagement strategy	Programs are expected to have an explicit disengagement strategy. In the proposal, monitorable action steps should be outlined indicating milestones and targets for disengagement. The Bank's withdrawal should cause minimal disruption to an ongoing program or activity.
8. Promoting partnerships	Programs and activities should promote and reinforce partnerships with key players in the development arena, e.g., multilateral development banks, UN agencies, foundations, bilateral donors, professional associations, research institutions, private sector corporations, NGOs, and civil society organizations.

Source: World Bank, Development Grant Facility documentation.

## Annex B. Detailed Results of IF Country Studies

### Mauritania

The Mauritania study found that exports have not been a major factor underlying the country's GDP growth: while GDP in Mauritania in the 1990s grew at an average annual rate of 4 percent, exports rose at an average annual rate of only 1 percent. Mauritania's exports are heavily concentrated both in terms of geography and commodity. Its main exports are iron ore and marine products; world demand for both iron ore and frozen octopus declined in the second half of the 1990s. The study concludes that market access was not a significant concern for Mauritania's current export pattern, as there were no significant tariff or non-tariff barriers on exports of iron ore and frozen octopus in QUAD countries (Canada, the European Union, Japan, and the United States). But there was a problem of market demand. The report also noted that the country would face significant barriers in QUAD countries for potential products resulting from an export diversification strategy. As noted in Annex Box 1, the QUAD countries levy significant tariffs on meat and meat products, bananas, sugar, and textiles. In addition, non-tariff barriers in form of SPS standards are substantial. Partnerships with foreign investors may be a fruitful way of overcoming these barriers.

In Mauritania, the report concluded, the government needs to develop a properly articulated export strategy and improve institutional support for exports to overcome constraints facing the country's exports. It recommends improvements in customs

#### Annex Box 1. Access Problems for Exports Highlighted by IF Country Studies

- The IF country study for Senegal found that the country does not greatly benefit from preferential schemes due to strict rules of origin and narrow selection of commodities. For example, only 1 percent of Senegal's exports have benefited from the U.S. African Growth and Opportunities Act (AGOA). And once past the preferences, Senegal faces steep tariff peaks – e.g., edible groundnuts in the U.S. Phosphoric acid exports to India, which account for some 9 percent of Senegal's exports, face a tariff of 35 percent.
- In addition to being strict and inflexible, import standards applied to products are not always based on solid scientific evidence. The IF report on Mauritania cites the EU's refusal to accept cheese from camel's milk because such cheese cannot exist, according to EU standards – an example that has become famous. The EU policy of zero tolerance on pesticide has scant scientific backing, and meeting this requirement is difficult and costly for developing countries. Agricultural exports from Madagascar face substantial difficulties in meeting product and sanitary and phytosanitary (SPS) standards.
- Preferential trade agreements add to the complexity of customs administration and raise costs. Almost one-quarter of Senegal's customs spending goes to ensuring that exports conform to such rules.
- Five of Mauritania's most important export products do not benefit from preferences, as these products have a zero MFN tariff in the EU, a problem that is likely to increase with further MFN liberalization. The country's 35 most important export products, apart from iron ore, all face some sort of NTB.
- Livestock and agricultural product exports from LDCs face severe constraints because of standards. LDC exports of livestock products to QUAD countries are zero.

administration and the transport sector, stating that construction of a new airport and cold storage facilities are steps in the right direction. The report also suggests a number of sector-specific steps to improve export supply. New sectors selected for export diversification are fisheries and livestock, but the study does not provide a clear analysis to conclude that export markets for these products are growing rapidly. The report could have employed the concept – used extensively by UNCTAD – of dynamic and stagnant sectors, the former being markets in which elasticity of demand is greater than unity.<sup>2</sup> The barriers to such exports in developed countries, as well as supply constraints within the DTIS country itself, need further analysis.

Since the main buyer for cephalopod products is Japan, and both Senegal and Mauritania sell to Japan, the report suggests that Mauritania join hands with Senegal to get a better price for its cephalopod exports. However, it is not clear that this would be a viable strategy, given these countries' dependence on these exports. Another factor to consider is that 90 percent of the catch is by small fishermen. The report does not analyze how a policy restricting catch could be implemented, nor does it examine its potential implications for the living standards of these fishermen and their families. Furthermore, the report does not analyze the implications of such a policy on export earnings over the short and medium term.<sup>3</sup>

### **Madagascar**

The Madagascar report notes a mismatch between many of the country's export products and products that receive preferential entry to QUAD markets – though a recent broadening of the preferences does present temporary, but substantial, export opportunities for the country. However, many products face substantial non-tariff barriers in the form of product standards and SPS measures. Furthermore, the preferences will only be temporary and are likely to diminish over time. The report concludes that Madagascar has a great stake in the WTO debate over standards and revision of the Agreement of the Application of Sanitary and Phytosanitary Standards.

The Madagascar report also identifies a number of constraints to increased production of important agricultural commodities. It notes that there is often a single monopolistic buyer – for instance, in the case of cotton and sugar – making it important to liberalize entry. In the manufacturing sector, the study makes several recommendations to enhance the effectiveness of the country's export processing zones (EPZ). But more analysis is needed of the medium- and long-term viability of foreign investments.<sup>4</sup>

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<sup>2</sup> This technique is used in the study on Senegal.

<sup>3</sup> OXFAM criticized the PRSPs for ignoring the effect of trade policy reform on poverty.

<sup>4</sup> For example, horticulture exports from Senegal declined 80 percent after the investor who had developed these left.

## Cambodia

The Cambodia study emphasizes the serious barriers in developed economy markets that constrain the country's exports. It also points to the need to make Cambodian exporters more competitive and reduce the costs of exporting, highlighted in Annex Box 2. The study stresses the need for improved customs administration, reduced transport charges, improved information flows, and the development of human capacity, which are important factors governing export performance. The report has prepared detailed TA requirements to help foster exports.

### **Annex Box 2. Infrastructure Costs and Gaps Affecting Export Development**

- In Senegal, absence of cold storage facilities at the airport limits exports of fish and vegetables.
- Availability of air transport is a problem.
- Electricity costs in Senegal are 83.13 CFA/K, the highest in the West African Monetary Union.
- Transport costs for children's clothes from Madagascar are about a third higher than for clothes from Sri Lanka and almost double those originating from Hong Kong. Transport costs from Cambodia are the highest in the region.
- Freight rates from Mauritania to Baltimore are *two to three times* the rates from Hong Kong to Baltimore, despite the shorter distance.
- Inefficiencies in transport and port facilities can raise costs by as much as 15 percent; improvement of these facilities can raise the prices received by small farmers by 2 to 6 percent.

## Annex C. LDC Characteristics and Performance

### Annex Table C1. Economic and Population Characteristics of LDCs

Country	Per capita GDP			Annual average growth rates of per capita real GDP (%)			Level (Millions)	Population Annual average growth rates (%)		
	(In 2002 dollars)			1980-1990	1990-2000	2000-2002		2002	1980-1990	1990-2000
	1980	1990	2002							
Afghanistan	..	..	..	..	..	..	22.9	-1.3	4.5	3.5
Angola	987	934	863	0.5	-1.2	6.5	13.2	2.8	2.9	3.2
Bangladesh	220	246	329	1.1	2.4	2.7	143.8	2.6	2.3	2.1
Benin	339	329	410	-0.5	1.7	2.4	6.6	3.0	3.0	2.7
Bhutan	279	466	698	5.4	3.4	4.4	0.9	2.1	3.0	2.8
Burkina Faso	172	182	225	0.8	1.5	2.5	12.6	2.7	2.9	3.0
Burundi	125	143	109	1.2	-3.6	0.7	6.6	3.2	1.0	2.6
Cambodia	..	204	266	1.6	1.8	2.8	13.8	4.1	3.0	2.5
Cape Verde	..	956	1 390	3.8	3.7	1.5	0.5	1.9	2.2	2.1
Central African Republic	338	293	282	-1.0	-0.3	1.4	3.8	2.5	2.4	1.4
Chad	168	216	232	3.4	-0.8	6.5	8.3	2.6	3.1	3.0
Comoros	434	425	343	-0.3	-1.8	-0.4	0.7	3.1	3.0	2.9
Dem. Rep. of the Congo	330	269	111	-1.3	-7.3	-2.1	51.2	2.9	2.6	2.7
Djibouti	..	1 209	861	-6.7	-3.6	-0.4	0.7	5.1	2.3	2.0
Equatorial Guinea	..	973	4 517	-0.8	19.0	-1.9	0.5	5.0	2.6	2.7
Eritrea	..	..	146	..	3.9 <sup>a</sup>	5.6	4.0	2.8	1.7	3.7
Ethiopia	..	76	87	-2.1	1.6	3.7	69.0	3.2	3.0	2.5
Gambia	282	281	280	-0.1	-0.3	-0.2	1.4	3.7	3.4	2.9
Guinea	..	328	380	1.7	1.3	2.5	8.4	2.6	2.9	1.5
Guinea-Bissau	151	191	149	1.5	-1.8	-4.8	1.4	2.4	3.0	3.0
Haiti	751	568	437	-2.6	-2.1	-2.6	8.2	2.4	1.5	1.3
Kiribati	513	457	512	-1.4	1.5	0.7	0.1	2.2	1.6	1.5
Lao PDR	..	199	304	1.0	3.9	2.9	5.5	2.6	2.5	2.3
Lesotho	233	295	405	2.5	2.8	3.5	1.8	2.1	1.3	0.4
Liberia	712	194	174	-8.2	0.4	-0.2	3.2	1.4	3.5	4.9
Madagascar	427	341	267	-1.7	-0.9	-6.1	16.9	2.8	2.9	2.9
Malawi	173	141	158	-1.9	2.0	-2.0	11.9	4.6	1.8	2.2
Maldives	..	..	2 000	..	3.8	-0.2	0.3	3.2	3.0	3.0
Mali	255	210	251	-1.6	1.3	2.4	12.6	2.5	2.8	3.0
Mauritania	317	296	350	-0.5	1.5	1.8	2.8	2.3	2.7	3.0
Mozambique	149	135	211	-1.0	3.3	9.8	18.5	0.9	3.0	1.9
Myanmar	..	..	..	..	..	..	48.9	1.8	1.6	1.4
Nepal	137	173	223	2.3	2.5	-0.3	24.6	2.3	2.4	2.3
Niger	298	216	188	-3.2	-1.0	1.3	11.5	3.2	3.5	3.7
Rwanda	232	216	210	-0.9	-1.6	4.4	8.3	3.1	1.3	3.5
Samoa	..	..	1 482	..	3.0	2.7	0.2	0.3	0.8	0.9
Sao Tome and Principe	..	340	321	-0.4	-0.8	0.4	0.2	2.0	2.6	2.5
Senegal	434	444	501	0.2	1.1	1.6	9.9	2.9	2.5	2.4
Sierra Leone	318	277	166	-1.8	-5.6	1.9	4.8	2.4	0.7	3.9
Solomon Islands	561	766	517	3.1	-1.0	-9.7	0.5	3.4	3.2	3.0
Somalia	..	..	..	..	..	..	9.5	0.8	1.9	4.3
Sudan	265	264	410	-0.2	3.0	6.3	32.9	2.5	2.4	2.3
Togo	418	338	288	-1.6	-0.6	0.2	4.8	3.3	2.8	2.6
Tuvalu <sup>b</sup>	..	..	..	..	..	..	0.0	1.6	1.4	1.3
Uganda	..	161	235	-0.6	3.9	2.2	25.0	3.4	3.0	3.2
United Rep. of Tanzania	..	241	259	1.9	0.0	3.6	36.3	3.3	3.0	2.0
Vanuatu	1 113	1 231	1 133	0.5	-0.5	-3.5	0.2	2.4	2.8	2.5
Yemen	..	482	538	..	1.6	-0.5	19.3	3.9	4.2	3.5
Zambia	481	389	344	-2.2	-1.9	2.6	10.7	3.2	2.4	1.3
All LDCs	..	253	281	-0.1	0.9	2.4	699.6	2.6	2.6	2.4
All developing countries	761	901	1 195	1.6	3.1	1.5	5 018.5	2.1	1.7	1.5
Developed market economy countries	18 813	23 832	28 388	2.6	1.7	0.2	871.4	0.6	0.7	0.5
Countries in Central and Eastern Europe	..	3 160	2 781	1.0	-2.1	4.3	335.1	0.7	-5.5	-0.4

Source: UNCTAD, *Handbook of Statistics 2003*; World Bank, *World Development Indicators*, online data.

Note: GDP per capita data are based on World Bank data on GDP and population data are based on United Nations/DESA/Population Division. Data for Ethiopia prior to 1992 include Eritrea. Population data for Bhutan is from national sources.

<sup>a</sup> 1993-2000.

<sup>b</sup> Population 10,466 and area 26 km<sup>2</sup>.

IF deals with 48 of the 49 LDCs. As the 49<sup>th</sup>, Tuvalu is very small. Of the 49 LDCs, UNCTAD classifies 30 as African, 8 as Asian, and 11 as island economies, many of which are quite small. By the Bank's classification, the African category closely corresponds with the SSA category used in WDR. SSA also includes the island states located in Africa and Botswana, the Congo Republic, Côte d'Ivoire, Gabon, Ghana, Kenya, Mauritius, Mayotte, Namibia, Nigeria, Seychelles, South Africa, Swaziland, and Zimbabwe. Djibouti is included in MENA in the Bank. The Asian category includes both South Asian and East Asian states as well as Pacific categories of the Bank. Yemen, included in Asia, is part of the Bank's MENA region. Within the Bank's classification system, four of the island economies are in Africa, five are in the Pacific, and one each are in Asia and Latin America and the Caribbean. The economic characteristics of these LDCs are depicted in Annex Table C1.

### **CURRENT ECONOMIC SITUATION AND CURRENT ECONOMIC PERFORMANCE**

Eradication of extreme poverty and hunger is a Millennium Development Goal (MDG) and the Bank's corporate objective. One of the MDG targets is to halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day. Many of the poorest live in the Least Developed Countries (LDCs), with 34 of the 48 LDCs located in Africa. While substantial progress has been made in East and South Asia in reducing the proportion of poor people, and many countries have seen reductions in the absolute numbers of the poor, countries in sub-Saharan Africa (SSA) have lagged in the fight to reduce poverty. Trade policies can contribute significantly to raising rates of growth and poverty alleviation in LDCs. The closer integration of LDCs into the world economy to increase growth rates and contribute to the fight against poverty was the motivation for establishment of the Integrated Framework (IF). The program responds mainly to the demands of donors and governments in LDCs. Per capita income in LDCs is considerably lower than in the other developing countries (Annex Table C1). LDCs also lag in social indicators such as infant mortality, life expectancy, and primary school enrollment. Furthermore, though LDC economic performance improved in the second half of the 1990s and early 2000s, it still lags behind that of other developing countries and developed market economies, so that the income gap has been increasing. While average annual growth of per capita GDP increased in LDCs from -0.1 percent during the 1980s to 0.9 percent during 1990-2000, their growth rate continued to lag behind that of the low income and the low- and middle-income countries. Yet, their annual growth for 2000-2002 increased to 2.4 percent in 2000-2002. In 13 LDCs per capita income declined during 1997-2000; in another 18 it increased by less than 2.5 percent a year. Only 11 LDCs recorded high rates of growth during 1990-1998. Among the LDCs, the countries in Africa lagged, exhibiting negative growth in per capita income even for the period 2000-2002.

Annual data show that in the period 2000-2002, African LDCs posted a positive growth in per capita income. However, there is still considerable year-to-year fluctuation in the performance of these economies, which have not yet reached a stage of stable, steady growth. While average annual GDP growth of GDP in SSA accelerated from 1.7 percent in 1980-1990 to 2.2 percent in 1990-1999, it still was less than the population growth

rate, so per capita income continued to decline (World Development Indicators, 2001). The average annual rate of GDP growth, which was only 1.1 percent during 1990-1995, accelerated to 4.6 percent in 1996, 3.3 percent in 1997, and 3.7 percent in 1998.<sup>5</sup> But this higher growth rate could not be maintained in subsequent years.<sup>6</sup> Per capita income in 1997 was only about two-thirds that in 1970.<sup>7</sup> As a result, little progress could be made in the fight against poverty: more than 50 percent of people lived below national poverty lines in the 1990s.

The poor growth performance of African LDCs is partly a reflection of weak agricultural performance. Per capita agricultural output stagnated during 1990-1998 in African LDCs. But even this was an improvement, as it had declined in the previous decade.

### EXPORT PERFORMANCE

The slow pace of export growth contributed to the region's slow growth.<sup>8</sup> Per capita exports stagnated in Africa between 1970 and 1997; in contrast, they grew by over 250 percent in South Asia and by over 750 percent in East Asia. The region's share of world exports declined sharply, being halved from the already low share of 0.8 percent in 1980, due to a large decline in its share of non-fuel primary exports and a somewhat smaller share in the exports of manufactures.

The poor export performance of Sub-Saharan Africa is partly a reflection of its export structure. Fuels account for almost 30 percent of exports, whereas they account for only 20 percent of exports of all low-income countries and just 12 percent of the exports of middle-income countries. Even of the non-fuel exports, primary commodities account for a larger share for SSA countries. Exports of manufactures are 53 percent of non-fuel exports in SSA, whereas they are 65 percent in low-income countries, almost 80 percent in South Asia, and more than 80 percent in East Asia. Africa's declining share of non-fuel primary exports suggests that the stagnation in exports is more than simply a decline in the terms of trade (though the cumulative effect of the decline in terms of trade between 1970-1997 was 119 percent of GDP, substantially eroding the benefits of 176 percent of GDP realized from net resource transfers during this period). Per capita agriculture output stagnated in the 1990s, suggesting that these countries had severe problems in generating an exportable surplus. Furthermore, SSA exports experienced

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<sup>5</sup> UNCTAD 1998.

<sup>6</sup> UNCTAD 2002.

<sup>7</sup> World Bank, *Can Africa Claim the 21st Century*.

<sup>8</sup> While export earnings have performed badly throughout almost the entire period, the combination of volume and price has varied. Export volumes declined from 1973 to 1984; ever since, they have been growing, but erratically, so that export volumes had recovered to the levels of the mid-1960s by the mid-1990s. However, export earnings rose until nearly the end of the 1970s due to buoyant prices. The worst period was the end of the 1970s and early 1980s, when both prices and volumes were falling. Since the mid-1980s, the full benefit of rising export volumes could not be achieved because of falling prices (UNCTAD 1998).

roughly twice the volatility in terms of trade of East Asian exports in the 1970s, 1980s, and 1990s, and nearly four times the rate experienced by developed countries.<sup>9</sup>

The export problems of SSA have arisen due to both external and internal factors. For one, the export basket of SSA countries includes a marked concentration of primary commodities. This hurts economies due to the decline in terms of trade for non-oil primary products, an inadequate supply of primary exportables, and the inability of countries to adequately diversify into non-traditional exports, particularly manufactures. In addition, persistent supply-side bottlenecks have not been eliminated by past reforms. Macro stabilization, exchange rate liberalization and realignment to reduce overvaluation, and lowering of import protection have reduced the anti-export bias of earlier policies and contributed to a better policy environment for export production. But the response has been limited due to non-border constraints that limit export supply response, including sector-specific production bottlenecks, limited provision of trade-related services, structural problems in important export commodity markets, and market access obstacles in major markets.

Slow export growth has not only resulted in slow growth of GDP, but has also contributed to recurrent BOP difficulties and aid dependence, with net transfers from foreign assistance averaging about 9 percent of GDP.

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<sup>9</sup> De Ferranti et al. 2000, p. 47.

## Annex D. OED Analysis of Trade Issues in Recent CASs<sup>10</sup>

<i>Country</i>	<i>CAS Date</i>	<i>Discussion of trade policy or strategy</i>
Albania	5/02	No discussion of trade strategy. No trade-related project or ESW planned.
Argentina	9/00	On page 19 the need for raising total productivity for exports is noted, but there is no discussion of trade problems or specification of a trade strategy. There was a competitiveness study in 2000, and another is planned for 2004; a study on Mercosur is planned for 2002.
Bangladesh	8/01	Future export earnings are uncertain, as preferences are phased out in 2005. But the discussion in the Executive Summary of the broad challenges posed for accelerating growth does not mention trade. The discussion of the country's strategic priorities does not mention trade. The only scheduled trade-related work is to look at the implications of the abolition of the MFA.
Belize	8/00	The report mentions on page 5 that the increasing number of already large bilateral trade agreements creates uncertainty. There is no discussion of trade in the development strategy.
Benin	3/01	Page 14 notes that Benin could be used as a point of entry into the regional market. There is no discussion of trade in the development strategy. No trade-related ESW is programmed.
Bulgaria	5/02	No discussion of trade strategy. No trade-related work planned.
Burkina Faso	11/00	There was a study on competitiveness in 1999. The CAS notes that closer regional trade integration requires improved competitiveness. But there is no discussion of a trade strategy in development. No trade-related work is scheduled.
Chad	11/01	No discussion of trade strategy. No trade-related ESW planned.
Djibouti	8/01	No discussion of trade issues. No trade-related work.
Eastern Caribbean	4/01	Page 7 mentions a need for diversification, but there is no trade strategy or planned trade-related ESW.
Egypt	5/01	Extensive discussion of past trade policies, their impact on export performance, and BOP problems, as well as discussion of future trade prospects. In FY03 work on impact of WTO on agricultural trade by WBI was planned.
El Salvador	11/01	The major trade problems, lack of export competitiveness because of a strong dollar and declining terms of trade are identified. A trade strategy is proposed, which would be based on using preferential trading arrangements such as CBI and FTAs with Mexico, Canada, Panama, the Dominican Republic etc. But there is no discussion of any problems that such a strategy might face or how such a strategy should be implemented to increase benefits.
Eritrea	10/00	No discussion of trade. No trade-related work planned.
Ethiopia	9/00	No trade strategy. No trade-related work planned.
Ivory Coast	9/02	A competitiveness study is planned for FY03/04.
Maldives	11/00	No discussion of trade components in the development strategy. No trade-related ESW is scheduled.
Mauritania	6/02	A detailed discussion of export commodity concentration and the need for trade facilitation. Exporters need help to meet SPS standards. There are discussions on the need for capacity-building and export diversification potential, but no direct lending flows from this analysis.
Mauritius	4/02	There is discussion of the need to move upscale in export markets; this requires a better educated work force, an area of Bank assistance. There is no specific trade-related project or ESW.
Philippines	4/02	Page 8 notes the country's vulnerability to changes in the external environment. But there is no discussion of trade issues or strategy. No specific trade-related ESW is scheduled.
Russia	5/00	Its dependence on primary exports is mentioned on page 6. But there is no discussion of a possible trade strategy. No trade-related work is envisaged.
Senegal	3/02	No trade work planned. No discussion of trade strategy.
Tanzania	6/00	No discussion of trade strategy. No trade work planned.

<sup>10</sup> In reviewing the earlier drafts of this paper, some felt that the OED review of CAS's was too narrow and did not sufficiently focus on the issues of sectoral reforms and competitiveness. But these links between trade outcomes and sectoral reforms were insufficiently established in several cases, e.g., Cambodia and Malawi with regard to agriculture and export outcomes.