

**Background note for the
Dissemination of the Findings of a Research Project on
*Evaluating Effectiveness of Aid for Trade in Nepal***

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Background and context

The Aid for Trade (AFT) initiative, launched during the Sixth Ministerial Conference of the World Trade Organization (WTO) held in Hong Kong in December 2005, came on the heels of several unsuccessful trade-related technical assistance programmes ostensibly designed to integrate developing countries, in particular least-developed countries (LDCs), into the global trading system. However, in less than six years since its implementation, the initiative has become contentious because of veritable North-South divisions on the issue. Donors largely subscribe to the view that the AFT is “delivering what it says on the tin”. However, stakeholders from the developing countries are of the view that AFT, in general, has failed to lived up to its promises.

The WTO and the Organization for Economic Cooperation and Development (OECD) are responsible for the evaluation of the project at the global level, which not only produce periodic reports on AFT, but also organize Global Reviews. Two such global reviews having been organized in 2007 and 2009, the third one is going to be organized in July 2011. Although these Geneva-centered processes have been criticized from several quarters and calls have been made to conduct case studies at the national level to gauge the impact on trade *on the ground*, nothing much has been done to conduct such studies at the national level.

Realizing a discernible gap between the perceptions of international organizations involved in evaluating the effectiveness of AFT and stakeholders at the local level, South Asia Watch on Trade, Economics and Environment (SAWTEE) and International Centre for Trade and Sustainable Development (ICTSD) developed a methodological framework for conducting research in six countries. They are Cambodia and Nepal in Asia, Malawi and Mauritius in Africa, and Jamaica and Peru in the Americas.

Having taken up the responsibility of implementing the project in Nepal, SAWTEE initiated the research titled *Evaluating Development Effectiveness of Aid for Trade* in January 2011. It organized a launch meeting on 18 January 2011 in order to discuss the methodology, obtain comments/suggestions from the relevant stakeholders and identify key resource people who could be interviewed for collecting primary data. The methodology was revised taking into account suggestions from the stakeholders at the meeting, before conducting the research between February and April 2011.

Objectives of the research

The objectives of the research were:

- To prepare a benchmark for monitoring the progress in commitment, disbursement, and utilization of AFT resources and evaluate its effectiveness in Nepal.
- To collect/collate data/information to help various stakeholders, including donors, partner governments, private sector and civil society make informed interventions/decisions on AFT issues.
- To prepare a case study based on an evaluation of a project funded through trade-related development assistance and/or AFT.
- To contribute to the regional/global review processes.

Revised methodology

The research made use of both primary and secondary sources of information. The sources of primary information were the semi-structured interviews conducted with stakeholders representing government officials, business leaders, subject matter experts, civil society actors, donors and media. The sources of secondary information included relevant literature on the subject, including academic literature, publications and websites of various government and inter-governmental agencies. An internationally accepted data source for overseas development assistance (ODA), which is available on the Creditor Reporting System (CRS) of OECD, was used for extracting information on AFT. Being fully aware of the significant variations that exist between the CRS and country level data, the study also made use of country based data to the extent possible to analyze various components of AFT effectiveness.

The impact evaluation, which is considered one of the most crucial components of the study, was done by making use of multiple methodologies. First, as in the case of other aspects of the evaluation, primary information was collected through stakeholders' interview. Second, a regression analysis was conducted to see the impact of AFT, initially without controlling for other variables which could potentially have an impact on export flows and later by controlling for factors such as global demand, real effective exchange rate and political risk. Third, a focus group discussion was conducted to analyze the impact of an AFT project, implemented in Nepal. For the propose of this in-depth analysis, Enhancing Nepal's Trade-related Capacity (ENTReC) project, implemented by the Ministry of Commerce and Supplies initially with the assistance of United Nations Development Programme, and later with the support of Department for International Development (DFID) and the Government of Finland. The evaluation was conducted based on four evaluation building blocks, namely relevance, efficiency, effectiveness, and sustainability of the project.

Dissemination meeting

Since the first draft of the study will be shortly completed, the dissemination meeting is being organized to present the findings of the study as well as obtain comments, suggestions and feedback from the resource persons and participants of the meeting, which will be incorporated before the preparation of the final report.

Organizers

SAWTEE: Founded as a loose network in 1994 and formally registered in Kathmandu in 1999, SAWTEE is a regional network that operates through its secretariat in Kathmandu and member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

ICTSD: Founded in Geneva in September 1996, ICTSD aims to influence the international trade system such that it advances the goal of sustainable development. As an independent, non-profit and non-governmental organization, ICTSD engages a broad range of actors in the ongoing dialogue on trade and sustainable development policy. In advancing its mission, the Centre has become a leading broker of knowledge and information on trade policy and sustainable development.

Participants

Representatives of governmental agencies, private sector organizations, academic community, non-governmental organizations, donor agencies and the media are invited to participate at the event.

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