

Advocacy Fund trade window background document

Background

The Advocacy Fund is intended to help developing countries defend their interests and argue for change in the international approach to key global issues. Initially it will comprise two windows: climate change and international trade. Further windows may be added in future.

The Department for International Development (DFID) is responsible for leading the British government's fight against world poverty. A central focus of DFID's policy is a commitment to the internationally agreed Millennium Development Goals (MDGs) including the target to halve the numbers of people living in absolute poverty by 2015.

DFID recognises the role of trade in promoting economic growth, and the role of growth in reducing poverty and achieving the MDGs. Trade grows most quickly and is most beneficial to ordinary people when governments agree to reduce cross-border barriers to trade. Yet international trade agreements cover an increasingly complex range of technical and legal issues and the poorest developing countries often lack the capacity to identify their interests and negotiate effectively with their more developed partners.

To secure pro-poor outcomes from international trade negotiations, the least developed and low income countries (LDCs and LICs) and their member institutions such as Regional Economic Communities (RECs) need access to high quality analysis, advice and training; financial and technical support to consult national stakeholders to develop pro-poor policies; and resources to sustain their participation in lengthy trade negotiations.

Research (cited below) consultation reveals the need for a flexible, demand-led mechanism to help developing countries participate more effectively in international trade negotiations. DFID is therefore establishing a trade window in the Advocacy Fund.

Consultations were conducted with the following institutions:

- DFID staff in Africa Regional Department, Southern Africa, West Africa, East Africa, South and South East Asia, the Caribbean and UKMIS
- the WTO Secretariat, UNDP, EIF and ITC
- the Geneva missions of Lesotho, Rwanda, Yemen, Senegal, Ethiopia, Uganda, Zambia, Nepal, Canada, Denmark, the Netherlands, New Zealand, Australia, the EC (also in Brussels) and the US
- NGOs including Bond, Traidcraft, CAFOD, the Fairtrade Foundation, TUC, ActionAid, One World Action and the South Centre, ICTSD, ACWL and the IDEAS Centre

Context

International trade agreements (bilateral, regional, plurilateral and multilateral) cover an increasingly complex range of technical and legal issues.¹ Scarcity of human, financial and technical resources means that developing countries struggle to co-ordinate their trade policy-making architecture and consult key civil society stakeholders such as trade unions, consumer groups, academia and the private sector.² The lack of capacity affects capitals-based ministries as much as missions to Geneva and Brussels.³ This undermines the development of coherent trade policies and effective negotiating strategies.⁴ The result is that the poorest countries miss opportunities to secure pro-development trade deals and enjoy the gains from trade.

Evidence of need for intervention

1. Developing countries face capacity constraints in international trade negotiations.

Multi-country surveys find that developing countries tend to lack trained and experienced trade policy analysts and negotiators; have weak institutions that fail to build collective memory and learn by doing; and are frequently unable to access and assimilate relevant external expertise.⁵ Most LDCs do not have enough officials in Brussels or Geneva to cover all the multilateral negotiations in which they have an interest and some have no representation at all.⁶ For example, in 2007 only 34 of the 41 African members of the WTO had missions in Geneva. On average, most African countries have only two to three officers covering the WTO, yet the WTO runs more than four parallel committee meetings per day.⁷ There are often vast differentials in the number

¹ Jean, S., Laborde, D. and Martin, W. (2010), 'Formulas and Flexibility in Trade Negotiations: Sensitive Agricultural Products in the WTO's Doha Agenda', Policy Research Working Paper 5200, Washington DC: The World Bank, http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2010/02/04/000158349_20100204081833/Rendered/PDF/WPS5200.pdf

² Bhattacharya, D. (2005), *Least Developed Countries in Trade Negotiations: Planning Process and Information Needs*, Paper 52, Dhaka: Centre for Policy Dialogue, http://www.unescap.org/tid/publication/aptir2362_research4.pdf

³ Finger, J.M. and de Melo, J. (2009), 'Review of DFID-funded Trade Capacity Building Activities in Geneva: Future Orientation', London: DFID

⁴ South Centre (2004), 'Strengthening Developing Countries' Capacity for Trade Negotiations: Matching Technical Assistance to Negotiating Capacity Constraints', Background Paper No. 4 written at the request of the Office of the G77 and China in New York, Geneva: South Centre, http://www.g77.org/doha/Doha-BP04%20-Strengthening_Southern_trade-related_negotiating_capacity.pdf

⁵ Woods, N. and Deere Birkbeck, C. (2009), *Manoeuvring at the Margins: Constraints Faced by Small States in International Trade Negotiations*, London: Commonwealth Secretariat; Rollo, J. (2009), 'Helping Developing Countries Negotiate Bilateral Agreements: a proposal for an Advisory Centre on RTA', *Multilateralising Regionalism*, Richard Baldwin and Patrick Low (eds), Cambridge: CUP

⁶ Khor, M. (2009), 'Analysis of the Doha Negotiations and the Functioning of the WTO', Geneva: South Centre, <http://www.unep.org/south-south-cooperation/exchangeplatform/Portals/116/ministerial/MK%20paper%20Analysis%20of%20the%20Doha%20Negotiations%20and%20the%20Functioning%20of%20the%20WTO%202025.1.2009.pdf>

⁷ Chifamba, T. (2007), 'Multilateral Trade Negotiations: How Sensibly Must African Countries and Trade Negotiators Stand?', Occasional Paper No. 7, Harare: The African Capacity

of personnel that developing and developed countries can send to high-level events, and those developing countries that can afford it commonly rely on short-term foreign technical expertise to compensate for their own lack of knowledge.⁸ Other developing countries may be unable to participate fully in negotiations due to financial constraints.⁹

Further evidence that developing countries face capacity constraints in negotiations is the fact that smaller and poorer WTO members make fewer submissions than richer members. When they do submit, they do so in collaboration with others.¹⁰ They also tend to focus scarce resources at the highest level: 43% of LDC submissions in 2003 were made at the WTO Ministerial Conference, General Council and Trade Negotiations Committee, compared to 30% for developing countries and 8% percent for developed countries.¹¹ This behaviour is rational but in a multilateral environment, trade policy is shaped through lower-level technical discussions. By the time policies reach higher-level decision-making bodies there is less space to influence and only the ability to block. Anecdotal evidence also suggests that the low quality of developing country submissions has resulted in them not being included on the agenda of WTO meetings.¹² The result is that developing country issues do not receive a fair hearing.

2. There are gaps in existing support for trade advocacy.

In 2008, donors provided \$1.27 billion for the development and implementation for trade policies and regulations but only \$33m was devoted to supporting multilateral trade negotiations while \$233m was dedicated to RTAs.¹³ Bilateral donor assistance tends to support direct negotiations with the recipients while multilateral assistance is often limited in thematic or geographical scope. This means that few interventions are flexible enough to respond to all the needs of all LDCs and LICs. For example, the World Bank's Multi-Donor Trust Fund for Trade and Development supports eleven countries with policy-relevant studies and training to measure the impact of market opening. The European Commission (EC) is building the capacity of African,

Building Foundation (ACBF), pp.3-4, http://lencd.com/data/docs/7-Multilateral%20trade%20negotiations_how%20sensibly%20must%20African%20.pdf

⁸ Wilkinson, R. and Lee, D. (2007), 'The WTO After Hong Kong: Setting the Scene for Understanding the Round', *The WTO After Hong Kong: Progress in, and prospects for, the Doha Development Agenda*, Wilkinson, R. and Lee, D (eds), Oxford: Routledge, p.8, [http://books.google.co.uk/books?id=QICJqFjszYMC&printsec=frontcover&dq=Donna+Lee+%26+Rorden+Wilkinson+\(eds.\)+The+WTO+After+Hong+Kong:+Progress+in,+and+Prospects+for,+the+Doha+Development+Agenda++\(Routledge,+2007\)&source=bl&ots=diz0Viq91W&sig=KN09qEydRJTZIOjlaefpiHk95aU&hl=en&ei=S7ZGTdSBNKCShAeS7o3IAQ&sa=X&oi=book_result&ct=result&resnum=4&ved=0CCQQ6AEwAw#v=onepage&q&f=false](http://books.google.co.uk/books?id=QICJqFjszYMC&printsec=frontcover&dq=Donna+Lee+%26+Rorden+Wilkinson+(eds.)+The+WTO+After+Hong+Kong:+Progress+in,+and+Prospects+for,+the+Doha+Development+Agenda++(Routledge,+2007)&source=bl&ots=diz0Viq91W&sig=KN09qEydRJTZIOjlaefpiHk95aU&hl=en&ei=S7ZGTdSBNKCShAeS7o3IAQ&sa=X&oi=book_result&ct=result&resnum=4&ved=0CCQQ6AEwAw#v=onepage&q&f=false)

⁹ South Centre, 2004, p.8

¹⁰ Nordström, H. (2003), 'Participation of Developing Countries in the WTO - new evidence based on the 2003 official records', Stockholm: Swedish National Board of Trade, http://www.noits.org/noits06/Final_Pap/Hakan_Nordstrom.pdf

¹¹ Ibid

¹² Saana Consulting (2010), 'Background Study of Existing Support for Trade Negotiations to LDCs and LICs', Final Report, 14 September 2010, London: DFID, p.9

¹³ OECD (2011), Query Wizard for International Development Statistics (QWIDS), http://www.oecd.org/document/21/0,3746,en_2649_34665_43230357_1_1_1_1,00.html

Caribbean and Pacific (ACP) countries and Regional Economic Commissions (RECs) to negotiate Economic Partnership Agreements (EPAs) through its TradeCom facility. However, the programme excludes the many other RTAs in which ACPs engage and the €50m available has been able to reach only six RECs and 25 of the 77 ACP states involved.

3. The effectiveness of donor support for trade-related capacity building is mixed.

Assessing the evaluations of ten trade-related technical assistance and capacity building programmes, the OECD found that ‘half of the reviewed evaluations note that, generally, trade-related assistance has increased partner country understanding of the importance of trade for growth and poverty reduction, raised awareness and knowledge of trade policy matters and strengthened national dialogue on these issues.’¹⁴ Common weaknesses in donor programmes included unsystematic or incomplete needs assessments; weak project management and project governance structures; insufficient synergies to broader development assistance programmes; and insufficient donor co-ordination.

A 2005 evaluation of DFID’s support for trade-related capacity building noted that a large share of total funding has been spent on studies, typically policy-oriented research.¹⁵ DFID support to the Caribbean Regional Negotiating Machinery (CRNM) funded the production of technical studies and briefing papers, which were considered informative and timely, though not always as tailored to negotiators’ needs in terms of analytical depth and relevance. Other DFID-supported studies suffered problems which meant that they made little contribution, including delays that made them too late to serve the intended purpose; poor quality, which reflected the lack of expertise of their authors and/or limited funding; and limited relevance to national needs.¹⁶

The DFID evaluation noted that a challenge has been to ensure that studies lead to results – whether in terms of trade policies, negotiations, implementation, or the resolution of supply-side constraints and the realisation of expanded market opportunities. In Malawi, a series of value-chain studies under the Private Sector Partnership project was used to animate discussions between sectoral interest groups and the government. These were subsequently addressed in the National Action Group, some of the findings and recommendations were included in the Malawi Economic Growth Strategy, and in one case at least (cotton) may have inspired a follow-up project funded under DFID’s Business Linkages Challenge Fund. The evaluation found that impact is undermined by a weak or absent dissemination strategy, and so recommended that studies should be accompanied by policy briefs and workshops to present the results to key

¹⁴ OECD (2006), *Trade Related Assistance: What Do Recent Evaluations Tell Us?*, Paris: OECD, <http://www.oecd.org/dataoecd/19/3/37326353.pdf>

¹⁵ Weston, A., Blouin, C. and De Silva, L. (2005), *Evaluation of DFID Support to Trade-Related Capacity Building: Synthesis Report*, North South Institute, p.7

¹⁶ Ibid, p.40

stakeholders and discuss follow-up actions. It also noted that governments may need persuasion to use research findings to inform their policy choices.¹⁷

The impact of workshops has also been mixed. Sometimes their location can exclude some participants, e.g. in Kenya, it was suggested that workshops on agricultural trade issues should have been held outside Nairobi to enable greater engagement with rural producers. Others, however, in Malawi, were particularly appreciative of their participation in some of the workshops on WTO and other trade issues, as this had enabled them to play a more informed role in the trade policy national working group, or facilitated their subsequent inclusion on the national delegation to Cancun and in the preparations for the EPA negotiations with the EU.¹⁸

There are inherent constraints on measuring the effectiveness of support to trade negotiations, the outcome of which is subject to multiple influences beyond the capacity and skill of the negotiation team. For example, while DFID support to Caribbean negotiations was considered broadly successful, its overall impact was hard to assess. Stakeholders reported that the CRNM had been able to play an important and effective role in providing support for CARICOM trade negotiators, but it was not clear that the project would be able to meet its goal of improving the outcomes of the negotiations as this depended on many factors besides CRNM's inputs.¹⁹

The difficulty of attributing results to individual interventions cannot be overstated. The OECD notes that the likelihood of achieving positive outcomes can be increased by basing activities on a sound, consultative diagnosis; ensuring partner country ownership; using a mix of delivery channels; managing for results; and improving donor co-ordination.²⁰

4. The sustainability of donor support for negotiations capacity is mixed.

Staff turnover and the evolving nature of trade negotiations mean that constant investment is required to maintain the capacity built through donor interventions. The evaluation of DFID's support for trade-related capacity building noted that developing countries normally lack the resources to make these investments themselves, meaning that ongoing external funding and support for continuous learning such as participation in negotiations and development of university courses is needed.²¹ The TradeCom evaluation found that most ACP countries remained dependent on continued donor funding to maintain the benefits of the programme, arguing that 'while they have made in-kind contributions to TradeCom implementation, financially and institutionally, there is minimal evidence of *independent* ownership; i.e.

¹⁷ Ibid

¹⁸ Ibid, p.44

¹⁹ Ibid, p.64

²⁰ OECD, 2006

²¹ Weston *et al.*, 2005, p.65

country commitment to increasing the amount of their own financial and human resources to trade.¹²²

There is sometimes a trade off between the effectiveness and sustainability of donor support to trade negotiations. The Commonwealth Secretariat's Hub and Spokes programme encountered this issue in placing foreign advisers into trade ministries: 'the extent to which beneficiaries are now capable of entering into trade negotiations without donor support could not be ascertained because many [EC-funded advisers] have been co-opted into negotiations ... Therefore while effective participation has increased, significant capacity continues to reside in the presence and know-how of the advisers themselves.'²³

According to the OECD, the key issues in ensuring sustainability are long-term donor technical and financial follow-up, local political will and local ownership of donor inputs.²⁴ Efforts to strengthen local institutions and networks (e.g. government authorities, research institutes and business associations) and the use of local subcontractors can bring more sustainable results, by helping reinforce local capacities.²⁵ Leveraging support from other donor programmes can also increase sustainability. In Ukraine, for example, the EC's Technical Assistance Programme for Eastern Europe and Central Asia (TACIS) took over some of the work previously supported by DFID.²⁶

Why DFID intervention is justified

DFID intervention is justified by the gap left by other donor interventions, which undertake more generic, institutional capacity building and are focused on specific negotiations. This results in a lack of coverage for some of the smallest and most vulnerable states, as well as LDCs in West and Central Africa. Many developing countries are unable to access flexible 'last mile' support for the technical inputs, travel and accommodation necessary to participate in international trade negotiations and disputes, particularly those that do not involve their principal donors, or those that overrun or generate unanticipated issues. DFID does not have one coherent and comprehensive programme to respond to the advocacy-related needs of all LDCs and LICs. This initiative attempts to be a timely response to address those gaps by being dedicated to negotiations and open to all LICs and LDCs.

Other donors have begun to recognise the problem (e.g. the TradeCom programme is being re-designed) but the pace and scale of change could be quicker. Given DFID's ability to move relatively quickly compared to some donors, and its widely recognised leadership role in supporting Aid for Trade, DFID intervention would begin to fill gaps immediately, raise the profile of the issue and present a model for other donors to follow.

²² ACE International Consultants (2010), *Final Evaluation of the Trade.Com Facility*, Contract N° 2010/233780/2, Brussels: European Commission, p.10

²³ ACE, 2010, p.30

²⁴ OECD, 2006, p.14

²⁵ OECD, 2006, p.14

²⁶ Weston et al., 2005, p.65

Why DFID intervention is feasible

DFID provided around £800m in Aid for Trade in 2009/10. Around £30m (3%) was spent on building negotiations capacity and other advocacy-related activities. This included support to international NGOs, multilateral organisations and the Trademark programmes, which undertake deep institutional capacity development for negotiations towards a COMESA, EAC and SADC free trade area. For example, TMSA provides technical assistance to LDCs to develop coherent trade policies that are consistent with national interests and existing obligations. TMSA supports trade ministries and RECs to develop the expertise and processes necessary to undertake analysis, negotiation, and implementation of agreements, using embedded advisers as necessary to transfer expertise to local staff. It assists LDCs to identify modes and sectors of export interest and supports institutions such as the Trade Law Centre for Southern Africa (TRALAC) which specialises in developing capacity for trade policy-makers focusing on much-needed trade law issues. DFID thus has the experience, interest and credibility to scale up in an area facing a clear shortfall in donor support. The Advocacy Fund would complement DFID's existing interventions by providing rapid and flexible support for countries and issues not presently covered.

The consequences of not intervening

Failure to address directly (and encourage other donors to address) the gaps in support for trade advocacy would prolong a status quo in which the poorest developing countries are unable to represent their own interests and influence the direction of emerging international trade agreements and the broader operation of the multilateral trading system.

The difference intervening will make to reducing poverty

The Advocacy Fund trade window will attempt to reduce poverty by supporting the poorest countries to advocate for pro-development outcomes in emerging international trade agreements. This may in turn lead to increased market access for their exports, improved incomes for producers, more employment and more taxes for governments to spend on social services and ultimately economic growth, all of which is assumed to enable direct and indirect reductions in poverty.

The actual impact on poverty and the testing of this results chain will be undertaken through the research component of the Advocacy Fund. This will be important since a direct and measurable link between support for trade advocacy and poverty reduction has proven difficult to establish.²⁷ A 2009 evaluation of SIDA trade-related assistance support found that there is 'no evidence that the reviewed projects have contributed to reduction of poverty This is not because the projects failed or were poorly designed. It is due to

²⁷ Guvheya, G. (2008), 'Capacity Building for Promoting Trade and Investment in Africa', ACBF Working Paper 15, Harare: ACBF

the fact that the projects are of such a nature that the causal linkages between what the SIDA projects are delivering and the overriding objective of reducing poverty are based on a series of assumptions in largely untested results chains.²⁸ For its part, the TradeCom evaluation found that 'there is no clear linkage between the programme purpose and the overall objective (growth and poverty reduction) – such a correlation is premature and difficult to substantiate.'²⁹

The OECD argues that 'donor agencies can maximise the positive effects of their trade-related assistance by enhancing the synergies with broader development assistance and poverty reduction programmes, supporting a national trade policy dialogue that includes the poor and analysing the trade-poverty linkages at country level or conducting *ex ante* poverty impact assessments (which can also help identify mitigating measures or complementary activities required to protect the poor). Furthermore, trade-related assistance could target directly sectors or activities in which poor people are involved.'³⁰

The Advocacy Fund will build on these recommendations by considering the multiple ways in which the poor are affected as both producers and consumers. For example, the Fund may support LDCs and LICs in intellectual property negotiations with respect to medicines, potentially enhancing poor people's access to generic life-saving drugs such as anti-retrovirals. Where women are major producers of export crops, pro-development trade deals could have a net positive effect on women's empowerment. The International Cotton Advisory Committee has observed that women's household bargaining power increases where they become involved in the production of higher revenue kinds of cotton (e.g. organic and fair-trade cotton).³¹ There could also be a positive medium-term effect on educational opportunities among poor producers. Fairtrade case studies indicate that producers frequently invest additional Fairtrade-derived income in their children's education.³²

There is a risk that reciprocal trade liberalisation that results in tariff reductions in developing countries could reduce revenues available for public services, negatively affecting provision of education and health care.³³ The Advocacy Fund could help poor countries understand and reduce the risk of such harm by undertaking impact studies and advocating for adjustment assistance, where appropriate.

²⁸ Goppers, K. and Lindahl, C. (2009), *Sida's Trade-Related Assistance: Results and Management*, Stockholm: Sweden, p.21, <http://www.oecd.org/dataoecd/63/35/44016511.pdf>

²⁹ ACE, 2010, p.10

³⁰ OECD, 2006, p.14

³¹ Cited in Fairtrade Foundation, 2010, *The Great Cotton Stitch-Up*, London: Fairtrade Foundation

³² Examples include Fairtrade Foundation, 2010, *The Great Cotton Stitch-Up*, London: Fairtrade Foundation; other examples throughout the Fairtrade Foundation website (<http://www.fairtrade.org.uk/producers/default.aspx>)

³³ Villar, E., Perezenieto, P. and Jones, N. (2006), *Trade liberalisation and child wellbeing: potential effects of the Peru-US free trade agreement*, Young Lives Policy Brief 3, <http://www.younglives.org.uk/files/policy-papers/trade-liberalisation-and-child-wellbeing-potential-impacts-of-the-peru-us-free-trade-agreement>

Critical success criteria

Research and consultation reveal that the Fund must address two key issues to deliver its objectives.

1. Accessibility

The trade window will focus on the needs of the poorest by aiming to respond to requests for support from LDC and LIC governments, RECs and other member institutions involved in any kind of negotiation or dispute. The Advocacy Fund will not specifically target but will consider, on a case-by-case basis, engaging with Middle Income Countries (MICs), where their advocacy and negotiation activities have an important impact on LDCs and LICs in the region.

The trade window will adopt flexible procedures to respond to ad hoc requests from LDCs and LICs that meet the broad eligibility criteria outlined below. It will also pro-actively target countries that are under-served by other donor programmes. DFID will not prescribe in detail how the Fund should support more effective advocacy, but likely activities will include:

- Providing impartial information, analysis and advice on the technical and legal aspects of trade negotiations and disputes and on formulating negotiating positions
- Training, capacity building and internships for relevant officials and organisations
- Limited logistical support to participate in negotiations, disputes and key policy meetings

To ensure rapid and high quality delivery, the Advocacy Fund will contract with third parties (individual organisations or consortia) to provide a range of services to developing countries on a draw-down, on-demand basis. A variety of established institutions will be pre-approved to deliver such services on an ongoing basis, with particular emphasis placed on those that focus their support on delivering pro-poor outcomes. Developing countries will retain the right to refuse the services of a particular provider.

One potential drawback of demand-led mechanisms is onerous administrative procedures that deter applications. The Advocacy Fund will overcome these issues by:

- pro-actively encouraging applications from under-served LDCs, LICs and RECs
- helping beneficiaries complete the application process and performance management framework (this should cover checking actual needs, identifying sustainability issues, etc.)
- co-ordinating with other donors to avoid duplication
- matching demand to supply by contracting with appropriate third party providers

- following up on the intervention as appropriate

To encourage widespread use among intended beneficiaries, the Fund must be trusted and credible. The Advocacy Fund will be independent of HMG's objectives for any particular negotiation or dispute and respond impartially to requests for any kind of support in any kind of trade negotiation or dispute (subject to broad eligibility criteria such as impact on poverty). Management of the Fund will be contracted out to an independent Fund Manager, which will be given substantial autonomy to determine what will best achieve the Fund's overall objectives.

The architecture of global trade is changing rapidly and so the Advocacy Fund will also be a vehicle for supporting unforeseen needs.

2. Sustainable impact

The conclusion of binding trade agreements has the potential to deliver lasting benefits for developing countries through greater market access, increased exports and increased incomes for poor people. Providing flexible 'last mile' support to help developing countries reach such agreements would be one way in which the impact of the Advocacy Fund would be sustained over the long term. The wider issue is whether the Fund can build sustainable negotiations capacity. The Fund will leave deep institutional capacity building for policy-making, standards setting and the management of trade flows to others (primarily DFID's Trademark programmes) but will complement this work by supporting individuals to participate directly in trade negotiations and training programmes. It will also cover a wider range of negotiations and disputes than those programmes are able to. The value of this approach is supported by the evaluation of past DFID support for trade-related capacity building:

In many respects, actual participation in working party meetings or in other WTO negotiating sessions is a particularly useful way to build capacity on trade. Trade is unique in this respect, compared to an area like health or education. The development of the WTO as an effective multilateral organisation for managing world trade depends on the capacity of developing countries to actively participate in its deliberations. This is why so many trade-related capacity building projects are targeted on Geneva-based missions, to build their capacity to engage in the WTO. Developing countries, mostly LDCs, without representation in Geneva, are doubly disadvantaged. This is why funding to participate in WTO meetings for some countries is a very important component of capacity building programmes. Building mechanisms for capacity development around negotiating processes can be a very effective modality.³⁴

Supporting capitals-based trade ministry staff to work in their overseas missions and participate in negotiations while undertaking training and internships will also help increase knowledge of policy-making and negotiations processes and improve information flows and co-ordination between the two institutions.

³⁴ Weston *et al.*, 2005, p.45

The Fund will adopt procedures to ensure that sustainability is considered when developing countries access the Fund. Opportunities for follow on work will be identified when assessing requests for support, e.g. studies will be supported by follow on workshops involving a range of relevant stakeholders. Economies of scale will be exploited wherever possible by ensuring sufficient support for RECs and third party providers with a wide reach.

The evidence concerning the effectiveness of donor support for advocacy is currently limited. The Advocacy Fund will therefore capture and assess data in real time through a dedicated research component focused on increasing the evidence base on the barriers to effective LDC, LIC and REC participation in international trade negotiations; factors contributing to successful negotiations; effective models of donor support; and the impact on the poor and vulnerable.

Gathering credible evidence of a link between capacity building activities, more effective participation and more favourable trade agreements will take time. It is therefore intended that the Advocacy Fund will be operational for at least four years. A long-term approach is particularly important given experience of delays in most of the major negotiations, such as the Doha Development Agenda and EPAs. Without flexibility and a long-term approach there is a risk that support would end before the negotiations are concluded, reducing the overall impact of the investment.

Economic appraisal

1. Rationale for intervention

This programme is aimed at addressing the imbalance in low income country capacities to conduct global and regional trade negotiations in the most strategic and effective way. A scarcity of resources is preventing low income countries carrying out necessary analytical and preparatory work, consulting with stakeholders, staffing missions, developing negotiating positions, and sending capital-based delegates to attend negotiations. This constraint undermines the ability of developing countries to adopt coherent trade policies and effective negotiating strategies.

There is no single, coherent and comprehensive DFID or other programme focused solely on advocacy. Other programmes involve building capacity for negotiations, but normally on pre-defined issues. The Advocacy Fund will complement the deep institutional capacity building undertaken by other programmes through technical assistance (studies and workshops) and training for individual negotiators. It will provide flexible support for those countries which are slowly building their capacity so that they can respond more rapidly to emerging advocacy needs at the regional and multilateral levels. The Fund will also be open to countries that are not beneficiaries of longer term capacity building programmes, enabling DFID to reach partners where we do not have country-based resources and which are relatively marginalised in terms of wider donor support. It will also support cost effective methods of ensuring the poorest countries have access to the latest data and

analysis related to ongoing negotiations through sponsoring training and web-based information dissemination. The Fund will build individual expertise through training and internships. This will help grow the pool of capable negotiators and trade policy experts – a major constraint in developing countries. By enabling LDCs and LICs to access the expertise of private sector and non-governmental organisations, the Advocacy Fund will also help ensure that skills built are not lost to the nation should trained government staff move into other the private sector.

(b) In the absence of this programme

Insufficient finance and the absence of fully flexible financing mechanisms – multilateral and bilateral – means that developing countries are constrained in buying in quality technical advice or attending protracted negotiations and disputes. This lack of responsiveness is particularly damaging when new issues arise unexpectedly or negotiations are delayed or overrun.

Without the Advocacy Fund some developing countries would risk failing to keep pace with multilateral negotiations and / or negotiate individual agreements that might enable them to exploit potential niche areas in future.

2. Options considered for tackling the issue

As outlined above, the only feasible option for helping LDCs, LICs and RECs participate more effectively in international trade negotiations is for DFID to design a new programme. To be a success, the Advocacy Fund will have to be independent of HMG interests and dedicated to supporting all kinds of negotiations in a way that is more rapid and flexible than existing provisions, but still co-ordinated with them fully to ensure that critical gaps are filled.

This section focuses on the feasibility and VfM of two options for the management of the Advocacy Fund: in-house management and contracting out core management functions.

Extensive consultation by HMG staff reveals the premium that developing countries place on impartial and confidential advice. Any cost savings achieved through in-house management would be undermined if the Fund were not used by its intended beneficiaries. Coupled with the high transaction costs it would require, in-house management must be judged an unfeasible model for the Advocacy Fund.

Outsourcing the Advocacy Fund would involve engaging a Fund Manager to perform core management functions such as administering contracts with third party service providers and undertaking financial reporting and accounting to the steering committee. This approach would free up DFID staff to address genuinely strategic issues such as assessing overall impact.

Both options would have the same impact on climate change and the environment, which is classed as low risk / low opportunity. The trade window

of the Advocacy Fund will support flights and accommodation for trade negotiators, but their global impact is negligible.

3. Social Appraisal

A social appraisal was conducted on this programme. It found that the Advocacy Fund Trade Window has the potential for improvements to the lives of poor people, but that such improvements are likely to be indirect, and are not necessary consequences of the programme. If, as a result of fund-supported capacity development, LDC, LIC and REC negotiators are able to obtain better terms of trade for commodities produced or consumed by poor people, then the programme could have positive poverty reduction impacts. Where women are major producers of export crops, such changes could contribute to improved gender equity. The programme could enhance poor and socially excluded people's access to essential medicines if capacity to negotiate on intellectual property issues is increased.

Positive impacts could be enhanced by requiring tendering institutions and managers to have a track record of successfully integrating equity concerns; ensuring that equity issues are given a prominent place in a 'menu' of capacity development areas for which the Fund would consider support; and requiring the Fund manager to conduct a detailed mapping of training / capacity development providers on trade issues, which explicitly identifies pro-poor and gender-sensitive content in training modules.

4. Intervention logic and evidence

Developing countries face three main constraints in international trade negotiations: inadequate technical and legal expertise, weak capacity and insufficient finance. These will be addressed through three types of input: (i) external technical and legal advice; (ii) training, internships and capacity building; and (iii) logistical support.

(i) external technical and legal advice

The fastest way of accessing high-quality technical and legal expertise is to buy it on the open market. Many LDCs and LICs lack the resources to pay the daily rates involved and so the Advocacy Fund will contract with relevant suppliers on their behalf.

(ii) training, internships and capacity building

Many LDCs, LICs and RECs lack the resources to develop their own staff in the short and medium terms, and so the Fund will provide the finance and external expertise necessary to accelerate the capacity building process. Appropriate training of suitable staff (including internships and possibly advanced studies) can deepen existing expertise and grow the pool of trade policy-makers and negotiators.

(iii) logistical support

LDCs, LICs and RECs say that budgetary constraints mean that they are unable to attend and sustain their participation in trade negotiations and key policy meetings. The Advocacy Fund will supplement constrained budgets by supporting logistical costs, including translation, flights, accommodation and appropriate per diems for ministry officials, trade negotiators and, where appropriate, wider representatives invited to join official trade delegations. All such expenditures must have regard for VfM, e.g. economy class plane tickets.

The results chain for the Advocacy Fund is long and contains a number of uncertainties. For example, training individual trade negotiators in negotiating skills is expected to result in enhanced negotiating capacities; developing countries achieving more of their objectives in trade negotiations; better access on better terms for local producers in developing countries to international or regional markets; increases in trade (volume, value and diversification); improved incomes for producers; more employment and more taxes for governments to spend on social services; economic growth; and poverty reduction. The testing of this results chain and the identification of evidence and actions to increase the likelihood of its achievement will be the task of the evaluation manager.

For the inputs to have an impact, the following assumptions must hold:

- External technical and legal advice – advice is relevant, timely and of sufficient quality; advice is used in the way intended
- Training and internships – training, internships and academic studies improve staff quality and impart relevant experience; sufficient numbers of the right people are sent for training and are used productively in subsequent negotiations (they neither leave nor are reassigned); suitable third party organisations can be found to deliver; there is political will to challenge poor practices and entrenched interests to improve the performance of ministries and RECs
- Logistical support – the right people are sent to negotiations and participate as expected

5. Evidence Appraisal

A rating of Medium for the robustness of the evidence is appropriate. This takes account of the fact that the evidence is conclusive that developing countries face capacity constraints in international trade negotiations; that there remains significant unmet demand for support as current support is both inadequate and fragmented. However, it also takes account of the fact that as with wider trade capacity initiatives, the evidence base regarding impact is still being developed.

Developed country policy-makers experience problems in using research to inform policy-making,³⁵ and so it is unsurprising that this issue is more pronounced in developing countries.

In the Trade and Development sector other donor programmes and DFID have attempted to address capacity constraints in developing country trade Ministries and negotiators through numerous vehicles with various degrees of success.³⁶ The design of this project has been undertaken with this experience in mind. The design team have thoroughly researched the evidence of the successes and failures of other relevant programmes and have systematically addressed each issue through the design of the institutional management of the Advocacy Fund.

The evidence for effective interventions in the field of advocacy and trade negotiations remains piecemeal and far from robust. The link between inputs and outcomes (attribution) is particularly undeveloped. The Advocacy Fund will address this through a research output which is institutionally separate from the Fund Manager. This is an innovative way to design the project to attempt to address the weak evidence base. It will enable the Fund Manager to continually improve delivery of the Advocacy Fund and it will provide a wider public good to the research community by broadening the base of evidence for the way that research informs development policy and practice.

6. Incremental costs

The total amount of programme money expected to be spent through this fund will be £4 million over 2 years, there is a possible extension of up to two years with potential further funding of £8m subject to performance, continued need and availability of funding.

7. Incremental benefits and balance of costs and benefits

This section demonstrates how the costs and benefits of the Advocacy Fund might be assessed under three different scenarios, based on comparison with a challenge fund. This comparison is appropriate since challenge fund outputs are, like the Advocacy Fund, unpredictable at the outset. The estimates on which the cost-benefit analysis is based are rough but they indicate how acceptable performance might be determined at the project and portfolio level. It is realistic to expect that not all projects will generate positive returns but with appropriate procedures in place the Advocacy Fund will be able to identify strong and weak performers and re-allocate resources accordingly.

A limited amount of research has tried to simulate the benefits of aid directed towards trade policy-making, based on its impact on trade costs. Wilson *et al.* (2009)³⁷ estimate the benefit/cost ratio for this type of aid to range between 0

³⁵ Jones, H. and Mendizabal, E. (2010) Strengthening learning from research and evaluation: going with the grain

³⁶ Weston *et al.*, *op cit*

³⁷ Aid-for-Trade Facilitation: Costs and Benefits, Maros Ivanic, Catherine L. Mann and John S. Wilson www.oecd.org/dataoecd/44/4/37679216.pdf

and 2.1 for South Asia, with projects in Sub-Saharan Africa having a ratio of around 1.6. Based on these estimates, scenarios calculating the costs and benefits are set out below.

DFID used the Financial Deepening Challenge Fund (FDCF) to make small grants to companies to try to improve access of the poor to financial services. Similar to the Advocacy Fund, the FDCF selected projects on the basis of their expected contribution to the Goal and Purpose of the fund and their coherence with eligibility criteria. The purpose and beneficiaries of the two funds are very different but the FDC provides some relevant evidence on the likely distribution of successful projects that the Advocacy Fund might generate as the outputs of both funds were / are unpredictable at the outset.

The results from the FDCF suggest that DFID might expect 20% of the projects to be 'stars', 50% to be average performers and 30% to be poor performers.

Using the range of benefits/costs ratios derived from Wilson *et al.*, it is possible to estimate an overall benefit-cost ratio of 1.22 for the fund. While imprecise and based on a large number of assumptions, it does provide some level of comfort that the benefits of this programme outweigh the costs.

Scenario 1				
Total cost	20			
Benefits total	22.4			
benefits/cost	1.22			
		cost	b/c	benefits
high value	20%	4	2.1	8.4
Medium	50%	10	1.6	16
low value	30%	6	0	0

8. Risk and uncertainty

This result is relatively robust if we change the distribution of projects with high and low return. The second scenario demonstrates that the programme would still break-even even if 44% of projects under-performed, provided that the remaining balance contained 20% stars and 36% average performers.

Scenario 2				
Costs	20			
Benefits	20			
		cost	b/c	benefits
high value	20%	4.0	2.1	8.4
Medium	36%	7.3	1.6	11.6
low value	44%	8.8	0.0	0.0

Alternatively, with no high performers at all, 38% of projects could fail to provide a return and the programme would still break-even.

Scenario 3				
Costs	20			
Benefits	20			
		cost	b/c	benefits
high value	0%	0.0	2.1	0.0
Medium	63%	12.5	1.6	20.0
low value	38%	7.5	0.0	0.0

The programme is, perhaps, less robust when the expected benefit to costs ratios are changed. The programme fails to break-even if the high value and medium return project benefit/cost ratios are reduced to 1.6 and 1.2 respectively.

Scenario 4				
Total cost	20			
Benefits total	18.4			
benefits/cost	0.92			
		cost	b/c	benefits
high value	20%	4	1.6	6.4
Medium	50%	10	1.2	12
low value	30%	6	0	0

Monitoring and evaluation

M&E will be contracted out to the Evaluation Manager, which will deliver the research output of the Fund. The overall purpose of evaluation will be to assess the impact of the Advocacy Fund's activities at a project and strategic level, with a particular focus on the poor and vulnerable. There will be an assessment at the end of the first year, a mid-term review and one evaluation at the end of the programme.

Evaluation will be conducted by an Evaluation Manager contracted specifically for that purpose. The Evaluation Manager and the Fund Manager will agree indicators, baseline data, a revised logframe and monitoring and evaluation plans for the Advocacy Fund. These will be submitted by the Evaluation Manager for DFID approval by the end of month three.

Evaluation will be commissioned by the steering committee, on which DFID will sit. The steering committee will contain an evaluation expert to interpret the findings for the committee and assess their quality.

An initial evaluation will be conducted after the first year of operations. It will likely focus on process, assessing whether the advocacy fund has set a meaningful baseline and established itself as a flexible and responsive

mechanism for delivering impact. The mid-term review and final evaluation will focus more on external change. **The final evaluation will take place one year after the end of operations.**

The key questions for the evaluation will be:

- The effectiveness, efficiency and economy of Advocacy Fund outputs
- The extent to which expected outputs and outcomes have been delivered
- The validity of the theory of change on which the Fund operates
- The barriers to effective LDC, LIC and REC participation in international trade negotiations
- Factors contributing to successful trade negotiations
- Effective models of donor support (attribution)
- The impact of any Fund-supported changes on the poor and vulnerable

The methodology is likely to involve surveys and interviews with intended beneficiaries, key implementing partners and other stakeholders such as the WTO secretariat.