



Gearing up for Trade: Australia’s support for trade facilitation programs

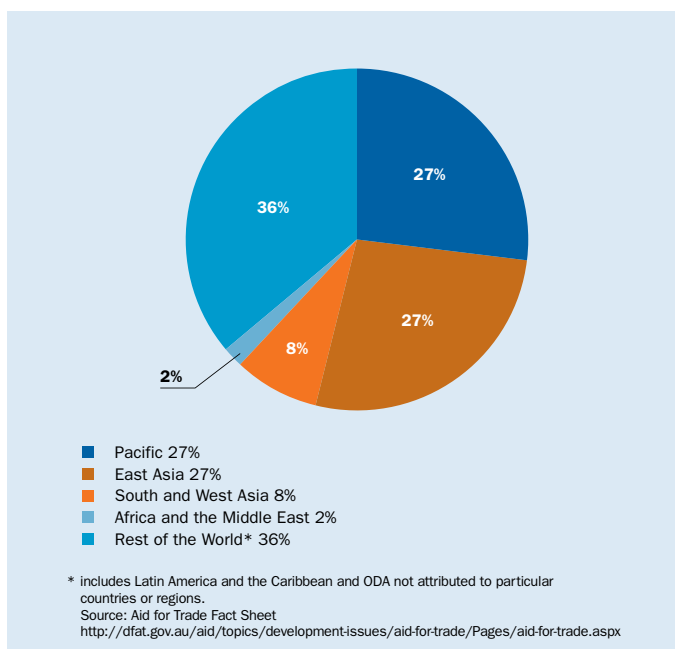
International trade is important for sustained economic growth and job creation. For developing countries, however, opening trade regimes and achieving market access are often not enough to improve outcomes for the poor. Structural impediments and a disconnect between trade liberalisation and the benefits for the poor, may mean that the poor, and particularly women, only receive marginal benefits from a country’s improved trade position.

Australia, through the Department of Foreign Affairs and Trade’s Aid for Trade Strategy, is striving to be a recognised leader in promoting and supporting trade facilitation in the Asia-Pacific region in order to foster sustainable economic growth and prosperity.

This evaluation by the Office of Development Effectiveness (ODE) examined and assessed the effectiveness of Australia’s recent investments supporting trade facilitation and regional trade agreements to find out how Australia’s investments may be better targeted in the future.

Figure 1: 2015/16 Australian Budget Estimate—Aid for Trade

\$698 million or 17.2% of total Official Development



What is aid for trade?

“Aid for trade is about helping developing countries, in particular the least developed, to build trade capacity and infrastructure they need to benefit from trade opening.”

World Trade Organisation Aid for Trade Fact Sheet



Evaluation findings and recommendations

DFAT investments in trade facilitation have been effective in addressing capacity issues, have the potential to make significant impacts to poverty reduction, and contain many elements of good global practice.

Australia's trade facilitation investments were found to have assisted partner countries in Asia and the Pacific to better integrate with regional and global economies.

These investments work best when they are responsive to partner government priorities, complement and assist developing countries' own efforts to boost economic growth, and enable an innovative and competitive environment.

Overall the investments have been effective in addressing capacity issues across a diverse range of areas, with the flexibility in designs enabling programs to be responsive and well-targeted. Improvements can be made in the use of integrated approaches, private sector engagement, gender equality and women's economic empowerment, and monitoring and evaluation.

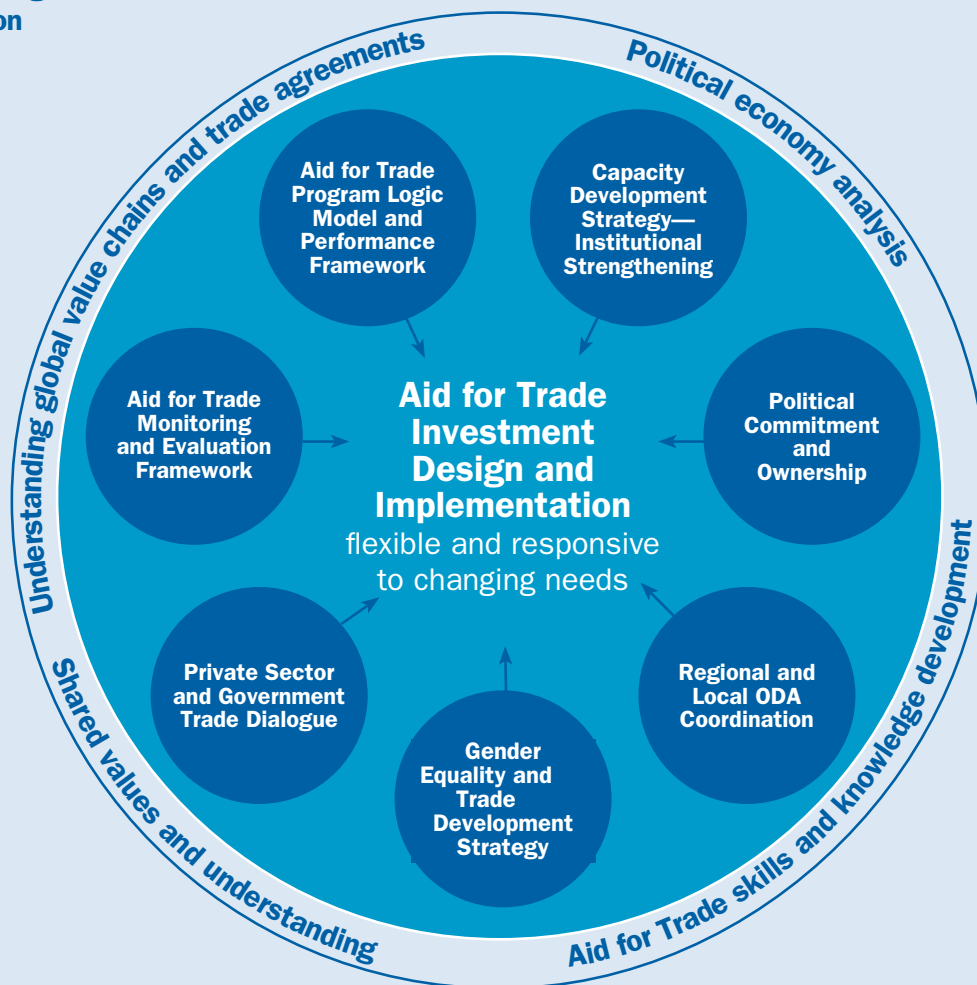
There is a need for an integrated framework which applies to an aid for trade investment.

New trade facilitation investments require purposeful carefully planned designs and an integrated framework. The framework includes a technical and political economy analysis, design and program logic and a performance framework.

Recommendation 1

Investment in capacity development for trade facilitation should be guided by an integrated framework that promotes sustainable outcomes, including institutional strengthening, and without compromising flexible and responsive approaches to address emerging constraints and opportunities. An integrated framework includes a technical and political economy analysis, design and program logic and a performance framework.

Figure 2: Aid for Trade investment Design and Implementation





Gender equality and women’s economic empowerment need to be strongly factored into DFAT trade facilitation designs.

Gender specific gaps, challenges, opportunities and data collection methods need to be identified and incorporated in future designs. Practical strategies to address gender inclusion in trade facilitation programs need to be developed.

Recommendation 2

DFAT should continue to build on its experience in incorporating gender and trade in its programs, and ensure all future trade facilitation program designs adequately consider gender dimensions and an analysis of gender gaps. Gender equality and women empowerment objectives should be explicitly stated as development goals in the designs, identified in the program logic models, and monitored and evaluated using gender indicators and sex-disaggregation of data related to people. Good international practice should be followed around analysis of gender equality gaps.

Trade facilitation investments need to be flexible, linked to government priorities, private sector priorities and require partner government ownership to be successful.

Trade facilitation is a complex, long-term process requiring flexible approaches and interventions to take into account the evolving nature of political, economic and trade interests.

Capacity building and gender aspects can take a long time to develop and translate into practices and reformed attitudes.

Government to government approaches are critical in maintaining political ownership and continuing economic engagement, while recognising the resource intensive nature of such engagement.

Partner governments’ political will and commitment are critical to introduce reforms, and support and sustain trade facilitation projects.

Private sector support and engagement is important throughout key stages, including planning and design of trade facilitation projects.

Recommendation 3

DFAT trade facilitation initiatives should include private sector engagement considerations throughout key stages, including planning and design. The investments should include an element of strong public-private dialogue particularly in partner countries.

Internal coordination and communication between Australia’s bilateral, regional and global programs needs to be strengthened. This can be done by introducing shared values and implementable incentives for cooperation across regional and bilateral programs.

Improving communication and coordination between bilateral, regional and global program managers as well as with other government bodies is required to minimise overlap, identify synergies, and maximise opportunities for effective cooperation.

DFAT needs to continue its efforts in developing a mix of trade and aid skill sets for its staff, an essential element for the success of trade facilitation investments.

Recommendation 4

DFAT should improve communication and coordination between regional, bilateral and global programs working on aid for trade by requiring its investment managers to identify synergies in DFAT’s Aid Investment Plans, design and contracting processes, and Aid Quality Checks.

Evaluation purpose and scope

To assess the effectiveness of Australia's recent investments supporting trade facilitation and regional trade agreements and how investments may be better targeted in the future. The evaluation scope was limited to objective one of DFAT's current aid for trade strategy 'to improve the regulatory environment' and its 'trade and investment policy and trade facilitation' elements. The evaluation's definition of the term 'trade facilitation and related assistance' includes all activities and efforts that remove obstacles to the movement of goods and services across borders, and any other technical assistance or capacity building projects and programs that enhance or facilitate trade.

Evaluation questions

1. How and to what extent the capacity of partner countries has been built to increase international trade?
2. To what extent the relevant DFAT investments have led to positive changes in the partner country's broader economic and development goals?
3. How do DFAT's investments in trade facilitation and related assistance compare with international good practice?

Initiatives assessed

The evaluation examined DFAT's portfolio of Aid for Trade activities and assessed four of Australia's investments in trade facilitation and regional agreements in detail. These were:

1. ASEAN–Australia and New Zealand Free Trade Agreement Economic Cooperation Support Program (AANZFTA AECSP) in Cambodia and Laos.
2. The Trade Development Facility 2 (TDF-2) in Laos.
3. The Pacific Horticultural and Agricultural Market Access (PHAMA) program which assists Samoa, Tonga, Solomon Islands, Vanuatu, Fiji and Papua New Guinea.
4. The Pacific Agreement on Closer Economic Relations (PACER Plus), currently being negotiated between 14 Pacific nations.



Findings

The evaluation found that DFAT investments in trade facilitation and related assistance have been effective in addressing capacity issues, and contain some elements of good global practice. They have the potential to make significant impacts to reduce poverty, promote gender inclusion and drive economic growth.

To be successful in the future, trade facilitation investments need to apply an integrated framework, be flexible, linked to government and private sector priorities, and importantly, have ownership by partner governments. We found that communication and coordination between Australia's bilateral, regional and global programs needs to be strengthened by introducing shared values and implementable incentives for cooperation.

The Office of Development Effectiveness (ODE) is an independent branch within the Department of Foreign Affairs and Trade (DFAT). ODE monitors the Australian aid program's performance, evaluates its impact, and contributes to international evidence and debate about aid and development effectiveness. ODE's work is overseen by the Independent Evaluation Committee (IEC), an advisory body that provides independent expert advice on ODE's evaluation strategy, work plan, analysis and reports.

The full evaluation report and DFAT management response can be accessed at www.ode.dfat.gov.au.