

A Vision for the Future of Technical Assistance in the International Development System

Final Report (Revised)

Prepared by Gareth Williams, Stephen Jones, Val Imber and Astrid Cox (with contributions from Arsene Balihuta and Aromar Revi)

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Management

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The following interviews were conducted:

UK Rep Geneva: Eleanor Fuller, Carole Presern

UK Rep Rome: Jo Yvon

UNCTAD: Bijan Eslando (Head of Technical Cooperation)

WTO: Paul Rolian (Director of the Institute for Training and Technical Cooperation), Annet Blank (Integrated Framework)

FAO: Andrew Macmillan (Director Field Operations Division), Hans Page (Chief Field Programme Monitoring and Coordination Service), Masa Kato (Chief, Evaluation Service), Santiago Funes (Director, Policy Assistance Division), Boyd Haight (Senior Technical Advisor & Secretary, Committee on Agriculture), Richard China (Coordinator, Rehabilitation & Humanitarian Emergency Policies Unit)

National Representations to FAO: Brett Hughes (Australia), Simon Draper (New Zealand), Lucy Tamlyn (USA), Jeroen Steeghs (The Netherlands) and also representatives from Sweden, Denmark, Norway and Finland.

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UNDP (teleconference): Nicola Harrington, Leena Banerjee, Khalid Malik (Evaluation)

Netherlands Ministry of Foreign Affairs: Pim de Kuizer

DFID India: William Starbuck

Ausaid India: Ramesh Subramanian

Executive Summary

This study presents a vision for the future of Technical Assistance that is based around moving from regarding Technical Assistance as an instrument of donor policy, towards a focus on building capacity for developing country governments to procure and manage advisory services.

The level of Technical Assistance to developing countries rose steadily during the 1980s and the first part of the 1990s. Data suggests that TA flows peaked in 1994 at around US\$16 billion, and have since fallen back slightly. Technical assistance has been particularly concentrated on the Transition Economies of Eastern Europe and Central Asia, and TA flows have been significantly lower to the least developed countries than to middle and relatively high-income countries. Nearly three quarters of TA from major bilateral donors is provided by the USA, Japan, Germany and France.

The effectiveness of TA in achieving development objectives and specifically as a means to building capacity within developing country governments has been questioned for many years. The main problems include the following:

- TA tends to be driven by donors rather than provided in response to aid-recipient priorities.
- Ownership by aid recipients has been weak and eroded by donor controls and the use of parallel management structures outside normal government procedures.
- The costs of TA are high, are raised by aid-tying, and quality is variable.

Proposals for TA reform have been of two main types. The first is concerned with improving the performance of TA without requiring fundamental changes in the way donors do business, for instance through improved performance monitoring or pooling arrangements. The second type of reform is more fundamental and focuses on recipient demand-driven market lead approaches that are integrated into national planning and management systems and budgets. However this literature has tended to focus on viewing TA as instrument of donor policy, rather than focusing on the issue of how to make markets for advisory services and expertise function more effectively, and building the capacity of developing country governments to procure and manage their needs for such services more effectively.

A procurement perspective implies a focus on:

- the identification and articulation of need, based on a rigorous distinction between services for developing country governments, services used by international development organisations, and services related to the provision of international public goods.
- The role and institutional arrangements governing national civil services, affecting the extent to which skills and services can be expected to be provided within the civil service cadre.
- The effectiveness of national procurement arrangements for skills, services and related outputs which determine how effectively developing countries are likely to be able to manage their own procurement.

The Vision that emerges for “Technical Assistance” is a straightforward one. Development assistance to national governments (aimed at helping governments implement national policies in pursuit of poverty reduction) should be provided untied and through the government budget, so that its opportunity cost is clear and resources can be allocated and managed in accordance with national priorities. Skills and services that governments require should be procured through appropriate national procurement systems to the

extent that they are not provided within the national civil service. In cases where weaknesses in national budgeting or procurement processes preclude the use of national systems, strategies for strengthening them should be developed, and whatever alternative systems are used should so far as possible operate according to the same principles of national control and holistic resource management, while avoiding undermining capacity. There are a number of ways in which donor objectives and vested interests within donor countries may militate against the realisation of this vision including their global policy presumptions and objectives, including trade promotion.

A number of different elements comprising the capacity effectively to procure and manage technical assistance can be identified. At one extreme are failed states lacking coherent or effective government systems, where international development agencies will need in the short term to substitute for the functions of government. A second level of capacity relates to the ability to establish and take forward an articulation of development policies. A next level is the capacity to formulate and manage a budget that relates to development priorities. A further step is the capacity to translate general development priorities into specified needs, and then to procure and manage effectively services identified through this process. Donor policies should be directed at building capacity in aid receiving governments in each of these areas.

In general, the big four providers of technical assistance pursue a relatively traditional approach to Technical Assistance. The usual modalities are long-term, project-based and managed and procured by donor agencies rather than by national governments. The main examples of reform in TA provision including the removal of tying, the use of pooled arrangements and routing through national budget or procurement systems are found among the smaller providers. The UN system has some distinct features – in particular that UN agencies are both funders and suppliers of TA (leading to potential conflicts of interest) and the role of the Specialised Agencies that are typically involved in operational activities at country level as well as involvement at the global level in setting norms, standards, treaties and guidelines.

One element of implementing the Vision outlined is the development of capacity within developing countries to manage and procure Technical Assistance. A range of examples of initiatives which can be seen as involving moves towards the Vision can be cited, including the lead that Uganda has taken in ensuring that Technical Assistance is increasingly provided through the national budget and within a framework of government-determined procedures, even though Uganda has a high level of aid dependency. In India, moves by donors towards untying aid have stimulated the growth of the national consulting industry and initial moves towards the export of consulting services across a wide range of areas. India has recently announced that as a matter of policy it will no longer accept tied aid.

Obstacles to the implementation of the vision emerge from within donor organisations (donor interests other than poverty reduction, perverse incentives and vested interests within donor agencies, and bureaucratic inertia), from the recipient side and from vested interests from consultancy suppliers.

The evidence presented by this study suggests that there has been slow progress in changing technical assistance practices but there are positive examples of change. Donor agencies favouring reform can take a lead, but decisive steps are likely to come in situations as in Botswana, India and Uganda where aid-receiving governments have become increasingly assertive in defining the terms on which technical assistance can be received.

Table of Contents

Acknowledgements.....	ii
Executive Summary.....	iii
List of Tables	vii
List of Figures	vii
1. Introduction	1
2. Data on Technical Assistance Provision	2
3. The Critique of Technical Assistance in the Development Literature.....	5
4. Elements of a Vision for Technical Assistance.....	8
Are There Failures in the Market for Advisory Services?	8
A Procurement Perspective.....	11
Donor Objectives.....	12
Recipient Capacities.....	14
5. Donor Policies for the Provision of Technical Assistance	16
Moves to Reduce Aid Tying	16
Bilateral Donor Policies	17
Multilateral Providers of Technical Assistance	21
6. Implementing the Vision.....	26
Adapting the Vision to National Circumstances	26
Additional Requirements for the Implementation of the Vision.....	31
Obstacles to the Implementation of the Vision	33
Prospects for Change.....	35
Implications of Implementing the Vision.....	36
Annex A: Technical Assistance in the UN System.....	37
The Role of the UN in Providing Technical Assistance	37
Normative and Operational Functions.....	37

Strengths and Weaknesses of UN Agencies in Delivering Technical Assistance.....	39
Processes for the Delivery of UN Technical Assistance	42
Implications for the UN System of the Vision for Technical Assistance	46
Annex B: Procurement Principles – Their Application to TA for Development.....	48
Introduction.....	48
Identification of Need.....	49
Specification of Services to be Purchased	50
Procurement Procedure	51
Annex C: The Future of External TA-Linked Assistance in India	54
Introduction.....	54
Economic, External Assistance & DFI Trends (1997-2002).....	54
Changes in the Aid Environment (1997-2002)	55
Key Issues in Aid Management in India	57
Modes of TA Management.....	58
Domestic TA Supply.....	61
Conclusion.....	62
Annex D: Strengthening the Management of Technical Assistance in Uganda	64
Background	64
Technical Assistance Modalities and Practices.....	66
Technical Assistance Policy in Uganda.....	68
Conclusion and Recommendations.....	72
References.....	74
Annex E: Trade Related Technical Assistance and Capacity Building	75
Introduction.....	75
Objectives and Instruments of Trade Related Technical Assistance and Capacity Building	75
TRCB and the Main Elements of the Vision	81
Articulating Demand for TA Services and Skills: The Integrated Framework.....	82
Developing Country Capacities.....	85

The Provision of TRTA within the Multilateral System	86
Annex F: Bibliography on Technical Assistance Literature	88

List of Tables

Table 1: Elements of National Capacity to Manage TA Skills and Services	27
Table 2: Technical Assistance Resource Inflows into Uganda since 1989 (USD thousands)	64
Table 3: Distribution of Technical Cooperation by Sector (%)	64
Table 4: Contribution of major donors to TA in Uganda(%)	66
Table 5: Technical Assistance and Budget Support	70
Table 6: Technical Cooperation Experts (1993-1999)	71
Table 7: Trade Related Capacity Building on Trade Policy and Regulations (2001 Commitments)	80
Table 8: Trade Development (2001 Commitments)	81

List of Figures

Figure 1: Technical Assistance to Developing Countries	2
Figure 2: The Sectoral Allocation of Technical Assistance (1999 figures)	3
Figure 3: Technical Assistance Expenditures for Major Bilateral Donors 1997-2001	4
Figure 4: Technical Assistance Expenditures as a Percentage of Net ODA 1997-2001	5

A Vision for the Future of Technical Assistance

1. Introduction

This study presents a vision for the future of Technical Assistance based on emerging understanding of good practice and increasing consensus around the poverty-related objectives of development assistance. The key feature of the paper is an emphasis on moving away from regarding Technical Assistance as an instrument of donor policy, towards a focus on building capacity for developing country governments to procure and manage the advisory services that they require, as part of normal government procedures.

The report is structured as follows. Chapter 2 provides summary data on Technical Assistance from OECD Development Assistance Committee sources. Chapter 3 summarises the literature on the performance of Technical Assistance and the reform agenda. Chapter 4 outlines the elements of a Vision for Technical Assistance. Chapter 5 examines donor policies. Chapter 6 discusses issues for implementing the vision, including ongoing experience with the reform of Technical Assistance in a number of countries.

Annex A examines in more detail issues relating to the provision of Technical Assistance within the UN System. Annex B summarises key procurement issues. Annex C is a case study on the Technical Assistance in India, and Annex D describes the implementation of reforms to strengthen the management of Technical Assistance in Uganda. Annex E is a case study on Trade Related Technical Assistance and Capacity Building. Annex F provides a bibliography on the Technical Assistance literature.

2. Data on Technical Assistance Provision

The main source of data on the provision of technical assistance is the Development Assistance Committee (DAC) of the OECD. The DAC data is based on the following definition of technical cooperation:¹

- Grants to nationals of aid recipient countries receiving education or training at home or abroad, and
- Payments to consultants, advisors and similar personnel, as well as teachers and administrators serving in recipient countries (including the cost of associated equipment).²

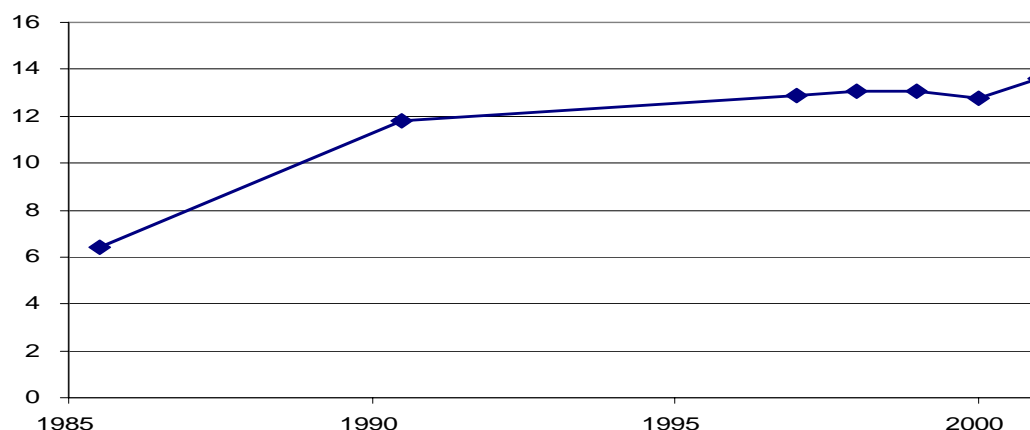
The DAC figures are restricted to bilateral donors. There is no separate reporting of TA provided by multilateral organisations. Bilateral donors make large contributions to core budgets and trust funds operated by multilateral organisations, which are then used to fund TA programmes. It is not clear how these transfers are accounted for in the data. Another problem with the DAC statistics is that they are not well adapted to new aid modalities, such as budget support.

The following graph shows that disbursements of technical assistance to developing countries rose steadily during the 1980s and the first part of the 1990s. Since 1997 technical assistance has stabilised at around \$13 - \$14 billion per annum. More detailed data presented by Baris and Zaslavsky (2001) shows that TA flows peaked in 1994 at close to \$16 billion, and have since fallen back slightly.

Figure 1: Technical Assistance to Developing Countries (current prices US\$ billions)

¹ In DAC terminology the definition refers to 'technical cooperation'. In this study the terms 'technical assistance' and 'technical assistance' are considered to be have the same meaning.

² From the point of view of this study, this definition poses some problems. As well as covering expertise and advisory services, which are the specific focus of this study, it also includes education and training grants, which refer to a rather different set of activities. The inclusion of 'associated equipment' is also rather unhelpful because this may have little connection to the advisory services being offered. There is a tendency in some TA projects to inflate expenditures on equipment (computers, vehicles etc.) to serve as an inducement for government cooperation. While these first two problems may result in upward bias in the data, there is also an important source of downward bias. Technical assistance that is part of a broader investment project (e.g. project management and due diligence functions) is often not separately reported. The DAC statistics refer mainly to freestanding technical assistance, and may significantly underreport investment related technical assistance. This is because the statistics are based on conventional classification of output into current – goods and services – and capital. Technical services such as project management, engineering skills etc along with goods are used in the process of producing the capital goods.



Source: OECD/DAC (2002) Development Cooperation Report 2002

Note that prior to 1997 the tables in the Development Cooperation Report show data only at five year intervals.

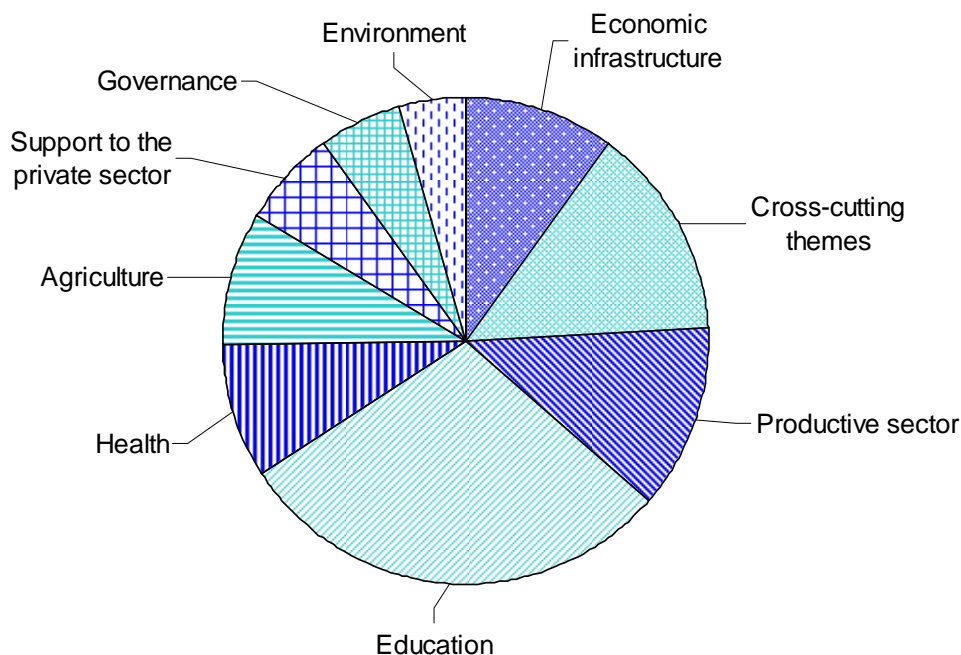
Technical assistance accounts for about 26% of total ODA, which currently stands at around \$52 billion per annum (net ODA figure for 2001). The share of technical assistance in ODA has fluctuated between around 20% and 25% over the past two decades.

Over the past thirty years technical assistance has averaged around \$3.5 per head. There are significant variations between regions. Technical assistance per head in Sub-Saharan Africa has fallen from around \$10 per capita in the 1980s to around \$4-5 per head at the end of the 1990s. This decline has been most marked in the Sahel region. There have been significant increases in technical assistance per capita in countries in transition from negligible levels in the 1980s to around \$7.5 per head in the late 1990s (Baris and Zaslavsky, 2001).

In general, technical assistance appears to be negatively correlated with indicators of economic and human development. The Least Developed Countries receive much lower levels of TA per capita (around \$4) than high-income countries (around \$13). This disparity has increased over the past decade. The Least Developed Countries receive a much lower share of ODA in the form of technical assistance (21% in 1999) than high-income countries that receive most of their aid in this form (88% in 1999).

The following pie chart illustrates the sectoral allocation of technical assistance expenditure, and shows that there is a concentration of TA in the social sectors, in particular education.

Figure 2: The Sectoral Allocation of Technical Assistance (1999 figures)



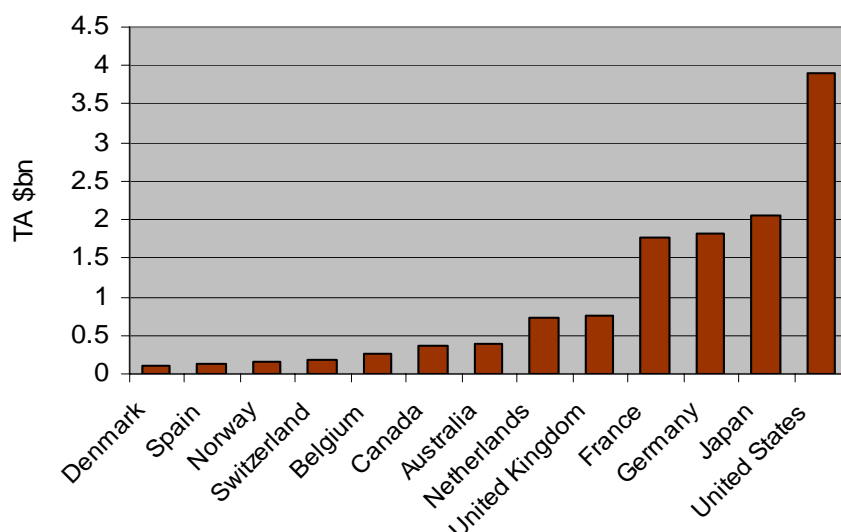
Source: Baris and Zaslavsky (2001)

Expenditure on technical assistance by major bilateral donors for the period 1997-2001 is shown in figure 3. Nearly three quarters of technical assistance is provided by just four bilateral donors: the United States, Japan, Germany and France.

Figure 4 shows technical assistance as a percentage of net ODA for the same period. The United States, France and Germany stand out as providing more than a third of their aid in the form of technical assistance. Australia, New Zealand, Portugal and Belgium also provide a large share of their aid as technical assistance, although the absolute size of their aid programmes is much smaller. While Japan is a major provider of technical assistance in absolute terms, the share of TA in its aid programme is relatively low.

Figure 3: Technical Assistance Expenditures for Major Bilateral Donors 1997-2001

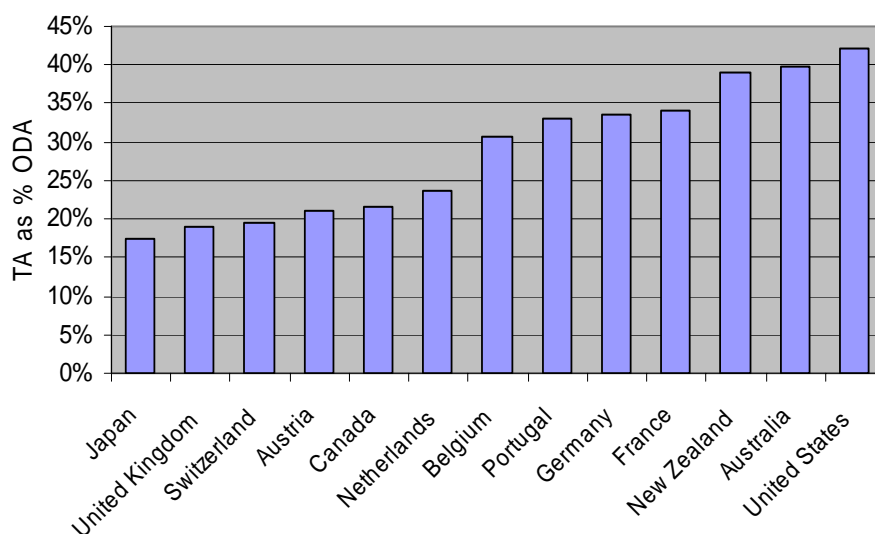
The figures are annual averages for the period 1997-2001. The thirteen largest TA providers are shown.



Source: OECD/DAC (2002) Development Cooperation Report 2002

Figure 4: Technical Assistance Expenditures as a Percentage of Net ODA 1997-2001

The thirteen donors with the largest share of TA in their ODA are shown.



Source: OECD/DAC (2002) Development Cooperation Report 2002

3. The Critique of Technical Assistance in the Development Literature

The effectiveness of technical assistance, as well as its efficiency, has long been questioned in the development literature. In 1989 an influential paper by Richard Jolly concluded that “the vast bulk of technical experts and expertise at present provided by the UN and donor system have outlived their usefulness The time has come to rethink the purpose of aid and technical assistance

within the UN system.”³ In 1993 UNDP commissioned a major report entitled *Rethinking Technical Cooperation* authored by Eliot Berg. This declared that “almost everyone acknowledges the ineffectiveness of technical cooperation in what is or what should be its major objective: achievement of greater self reliance in the recipient countries by building institutions and strengthening local capacities in national economic management.”⁴

UNDP has continued the *Rethinking Technical Cooperation* initiative by organising a series of international workshops and publishing several major documents.⁵ Another important strand of the literature has emerged from the work of the European Centre for Development Cooperation Management on the pooling of technical assistance⁶ and good practice in capacity development.⁷

The literature on technical assistance displays a considerable consensus on the problems of technical assistance as practised by donors over the past fifty years, and a strongly negative overall assessment despite some successes. The central issue is that technical assistance has been used as an instrument of donor policy that is disconnected from recipient country demand and market principles. This observation explains many of the failings of technical assistance highlighted by the literature:

- Technical assistance is donor-driven rather than demand-driven. It has tended to be dictated by changing donor fashions and strategic priorities, and has been only loosely related to needs expressed by recipients.
- Recipient government ownership has been eroded because donors maintain excessive control of TA management. TA staff tend to be accountable to donors rather than recipients.
- Technical assistance is often deployed in a gap-filling role rather than as a means to build long-term capacity. Consequently, sustainability is very limited.
- Technical assistance has often been deployed in parallel administrative structures established by donors. This has eroded public sector capacity because national staff have been drawn out of regular civil service structures into donor projects.

³ Jolly, R (1989) ‘A Future for UN Aid and Technical Assistance’, *Development* 89:4

⁴ Berg, E. (1993) ‘Rethinking Technical Cooperation’, UNDP New York, quotation from page 244

⁵ Recent outputs of the Rethinking Technical Cooperation initiative include the Special Issue of the Development Policy Journal on Technical Cooperation (Vol 2, December 2002), and two books published in 2002 entitled ‘Developing Capacity Through Technical Cooperation’ and ‘Capacity for Development: New Solutions to Old Problems, (including: Towards a Normative framework’. All are available on the UNDP Reforming Technical Cooperation website <http://capacity.undp.org>

⁶ Baser, H.& Morgan, P., (2001), *The Pooling of Technical Assistance: An Overview based on field research experience in six African Countries, A Study for the Directorate-General for Development Cooperation (DGIS) Ministry of Foreign Affairs of the Netherlands*. The paper and country case studies are available on the European Centre for Development Policy Management website <http://www.ecdpm.org>

⁷ ECDPM has established a website for the exchange of experience on capacity development at <http://www.capacity.org>

The practice of paying salary supplementations has further added to the problem, and has considerably distorted local labour markets.

- In some cases the global technical assistance industry has encouraged 'brain drain' as skilled local professionals have taken on lucrative contracts abroad.
- Technical assistance has proven to be totally inadequate as a means to tackle deep seated institutional and governance problems in unstable and politicised environments. Despite this, technical assistance continues to be frequently deployed in these conditions.
- The costs of technical assistance are very high, and quality is sometimes low. Long-term expatriate advisors often have the wrong skills, and may lack awareness of local situations and cultural sensitivity.
- Technical assistance has contributed to the fragmentation of aid and places a heavy administrative burden on recipient countries.
- Technical assistance remains very heavily tied to donor countries adding to the costs of TA and the perception of donor control.

Different elements of the technical assistance literature have interpreted these problems from varying perspectives. For example, Morgan (2002) takes a historical perspective tracing the role of TA in the post-war architecture of international development organisations whose bureaucracies have grown around the supply of development programmes and technical knowledge to developing country governments.⁸ Morgan argues that the main feature of this instrument as it has developed since the Marshall Plan (and the way that it represented an innovation over earlier processes of technical exchange) was that TA for development cooperation was funded from the government budgets of developed countries, rather than from the budgets of countries receiving the assistance (or within the private sector), and was managed as a public sector activity in accordance with government regulations and procedures of each supplying country.

Morgan argues that a series of features of international development organisations (IDOs) largely account for the well-documented problems with the performance of TA:

- IDOs tended to be more accountable to domestic stakeholders than to ultimate clients and there were inherent conflicts between their objectives.
- To maintain domestic support IDOs had to "promise levels of performance and development benefits that could never be achieved."
- IDOs were operationally biased towards "projects", policy rather than implementation, their incentive systems militated against devoting attention to incentive systems, and their approach involved an assumption that their role involved the "transfer" of knowledge to fill "knowledge gaps" or a "missing link" theory of capacity building and hence allow "counterparts" to improve performance, leading to an inherently overambitious view about the capacity of TA to solve development problems.

Morgan notes how the traditional approach to TA has slowly changed, with an emphasis on participation growing during the 1970s and 1980s, the application of process

⁸ Morgan, P. (2002) 'Technical Assistance: Correcting the Precedents', *Development Policy Journal*, Vol 2, December 2002

approaches, and a greater emphasis on capacity building. During the 1990s country ownership was the focus of attention. Despite this and what Morgan describes as “a series of never-ending programmes of TA reform none of them ever resourced for success”, the performance of TA showed little change.

Ajayi and Jerome (2002) examine technical assistance from a market perspective, analysing specific market failures and distortions created by donor policies.⁹ Recent papers by Singh (2002) and Hauge (2002) emphasise issues of ownership and accountability by recipient governments and wider stakeholder groups in developing countries. Another group of papers analyses the institutional incentives faced by donors and global consulting industry that have acted to perpetuate technical assistance in its present form.¹⁰

The literature includes numerous proposals for TA reform. In broad terms, there are two main strands of thinking. The first is concerned with improving the performance of technical assistance without requiring fundamental change in the way donors do business. This covers a number of new approaches in technical assistance, such as South-South cooperation, TA pooling, performance monitoring, and the use of information and communications technologies. The second strand of the literature is concerned with more fundamental reform of aid relationships and the provision of technical assistance. There is an increasing emphasis on country ownership and demand-driven, market-led approaches that are integrated into national systems and budgets.

The reform of Technical Assistance is therefore extensively discussed in the development literature. However, this literature tends to take the existing system of technical assistance as its starting point, and tend to perpetuate the view of technical assistance as an instrument of donor policy. This study aims to provide an alternative view based on a vision of well-functioning national procurement systems and international markets in advisory services and expertise. Donor policy towards Technical Assistance should, within this vision, concentrate on strengthening the different elements of this market.

4. Elements of a Vision for Technical Assistance

Are There Failures in the Market for Advisory Services?

There are several forms of market failure that may affect the functioning of markets in advisory services and expertise. However, in most cases, these should not constitute insurmountable obstacles to the introduction of more market-based approaches to the delivery of services. It is difficult not to conclude that the distortions introduced through modes of donor financing are of much greater significance than any inherent market

⁹ Ajayi, S.I. and Jerome, A. (2002) ‘Opportunity costs and Effective Markets’, *Development Policy Journal*, Vol 2, December 2002

¹⁰ Danielson, A., Hoebink, P. and Mongula, B. (2002) ‘Are Donors Ready for Change?’, *Development Policy Journal*, Vol 2, December 2002. See also Banerjee, N., Valdiva, L. and Mkandla, M. (2002) ‘Is the Development Industry Ready for Change?’, *Development Policy Journal*, Vol 2, December 2002

failures, and that approaches based on building procurement and management capacity within user governments provide the best approach to overcoming these problems.

Information Problems

Quality Assurance. In the absence of complete information there is a risk of adverse selection. It could be argued that donors are closer to the source of TA than recipients, and therefore have better information about their quality. However, this argument is losing validity because consulting services are becoming both more globalised (especially as donors untie their TA) and more localised (as developing country consultants are increasingly used). In order to address the screening problem purchasers often restrict their selection to a few preferred companies/ consultants with a proven track record. There are therefore high barriers to entry for service providers, which may distort competition (see below). Local consultants in developing countries may face particular difficulties gaining donor contracts. In principle, increased sharing of information between clients on the quality and performance of consultants might improve the functioning of the market.

Monitoring and enforcement of contracts. The lack of complete information on the performance of consultants creates moral hazard problems. Once consultants have secured contracts incentives for good performance become weaker. Recipient governments have limited means to monitor performance and ensure compliance. This provides a strong argument to transfer greater TA management responsibilities to recipient governments.

Decentralisation of the management of TA away from the donors and towards the clients would not only reduce the risk of moral hazard but also increases accountability and transparency which in turn should render the provision of TA more effective. The end users must be well informed of the objectives and must be able to supervise the continuation of positive initiatives undertaken by donors.¹¹

The above requires more in depth analysis of end users and/or beneficiaries of the provision of specific types of advisory services. If these are more strategically and systematically identified it may be easier to provide effective advice tailored to user needs rather than what the donor has identified as being important.¹² This will consequently increase accountability and transparency and therefore reduce the risk of market failure.

Imperfect Competition

There may at the national level be only a single buyer of TA services (monopsony), which could allow donors or governments to fix prices. However, this problem would seem to occur in a limited set of circumstances (e.g. domestic TA industry dependent on a single buyer), which are becoming less relevant in an increasingly globalised TA market.

There may also be situations of monopoly, where a particular consulting firm of development institution has exclusive access to a certain type of knowledge, and is the only available service provider. Situations of monopoly are rare, but there are examples of

¹¹ UNDP, (2001), *Reforming Technical Cooperation for Capacity Development, ready for Change?*

¹² UNDP, (2001), *Reforming Technical Cooperation for Capacity Development, ready for Change?*

oligopoly, where there are significant barriers to entry, and where only a few firms are able to offer services.

Global or Regional Public Goods

National governments may have insufficient incentives to purchase advisory services and expertise relating to the implementation of regional and global public goods. International arrangements to ensure supply may be warranted (e.g. intergovernmental treaties, international organisations).

Weak Articulation of Demand

While there is considerable demand for expertise and advisory services, developing countries are often unable to identify their specific needs and articulate demand precisely. Donors therefore often play an active role in supporting needs assessment exercises, formulating TA programmes for developing countries, and applying lessons learned in one country to another.

A general lack of incentives and understanding of donor driven objectives is seen to be the major obstacle to effective provision of TA. Ajayi and Jerome argue that without user driven demand which iterates specific expertise requirements or a full understanding of donor objectives, TA will be largely ineffective.

Ajayi and Jerome summarise the major imperfections of the TA market as follows:

- Lack of cost-consciousness at the macro level both on behalf of recipients and donors.
- Divergent costs and benefits between users and payers, often ministries who receive TC aid packages do not see TC as a part of their budget and can therefore be seen as largely insignificant.
- Weak Cost-Price Signals on the supply side. TC is seen as a vital part of any planning process for most donors, it is regarded as necessary and cost is but one consideration, and not a very important one, that donors face when awarding contracts.
- Tied nature of aid packages which constrains the recipient to a given set of investment plans.
- Asymmetry of information.

Market Failures Arising From Current Donor Practice in Technical Assistance

Most of the weaknesses observed in the provision of technical assistance arise from aspects of current donor practice (and weaknesses in procurement mechanisms) rather than inherent market failures. TA is treated as a donor 'instrument' rather than as a market for services. Costs and prices play a very limited role in determining supply and demand. Most TA is in grant form, which the recipient accepts as a "free good" (however, there are considerable costs involved for the recipient in administering TA staff). Donors and recipients pay relatively little attention to the considerable opportunity costs of TA. Because price signals have a weak effect, it cannot be expected that the market for TA will deliver an efficient outcome.

Other donor practices considerably distort the market. The most important are tied aid, bundling (lumping TA and financial assistance together in an inseparable package), segmentation and fragmentation due to poor donor coordination and lack of pooling.

A Procurement Perspective

The approach taken in this study is to move beyond the discussion of TA as an aid instrument, and to focus instead on the functioning of the market for specific types of skills and services required by developing country governments (inputs) and the outputs (such as policy advice) that are produced with these inputs. This implies going back to the first principles of the procurement process – the identification of need. The specification of the purchase must be defined in the context in which it is to be used. Thus, the basic principle is that the identification of technical assistance should be grounded in the country's development strategy, which would, inter alia, identify the respective roles of the public and private sector. This will require an analysis of the role of the public sector in terms of the extent to which it had the following functions:

- (i) basic governance, policy formulation, national budget, relationship between the executive, legislature and judiciary;
- (ii) purely regulatory function
- (iii) market intervention:
 - (a) support to the private sector - subsidies, grants, loans
 - (b) direct service provision ranging from defence, tax collection, public law-making through social services e.g. health to private sector advisory services

It is important to distinguish between at least two types of output (and the associated skills and services) – those which are required only by the public sector, and those for which there is also a private demand. In the first category come policy advice, public expenditure management, and regulatory, legislative and judicial services. In the second category are services and skills like accounting and auditing, project management, organisational development, IT and training.

The focus here is thus on the skills, services or goods required rather on the specific means of providing them such as those identified in the DAC definition. The apparent conundrum over the classification of services embodied in capital good thus disappears, as the process is unbundled into the mechanisms for achieving the development or poverty reduction strategy. The process of moving towards forms of aid that are less tied to specific inputs (like budget support) implies that an “instrument” based measure of TA is of declining relevance.

This approach taken here implies a focus on the following issues:

- A process of identification and articulation of demand by the users of TA – which includes making a more rigorous distinction between (a) services used by a developing country government, (b) services used by international development organisations with a view to influencing developing country governments and (c) services related to the provision of international public goods.
- The role and philosophy governing national civil services, as well as the specific institutional arrangements under which they operate, which affects the extent to which skills

and services can be expected to be provided within the civil service cadre, or will need to be externally procured.

- The effectiveness of national procurement arrangements for skills and services and related outputs which determines how effectively developing country governments are likely to be able to manage their own procurement.

In this context it is important to note that the market for government procurement is inevitably imperfect - the government is either effectively a monopsonist (the only buyer of particular services, at least at the national level) and where even where it is not, the purchaser is not subject to market risk in its raising of finance. Similarly, the supply side may be characterised by market segmentation, oligopoly or forms of price control. The key questions may be summarised as follows:

1. What is the appropriate role of government and its development strategy?
2. What skills and services are required to carry out its development strategy within the resource envelope available to the government?
3. To what extent can these skills and services be provided within the civil service (concept of civil service, institutional constraints, possible solutions)?
4. What contracting processes are required to obtain access to services and skills from outside the civil service (procurement, nature of services, definitions of jobs, output-based measures, technical specifications)?
5. What processes are necessary to build the capacity for effective articulation of demand and effective procurement of skills and services by developing country governments?

The Vision that emerges for “Technical Assistance” is a straightforward one. Development assistance to national governments (aimed at helping governments implement national policies in pursuit of poverty reduction) should be provided untied and through the government budget, so that its opportunity cost is clear and resources can be allocated and managed in accordance with national priorities. Skills and services that governments require should be procured through appropriate national procurement systems to the extent that they are not provided within the national civil service. In cases where weaknesses in national budgeting or procurement processes preclude the use of national systems, strategies for strengthening them should be developed, and whatever alternative systems are used should so far as possible operate according to the same principles of national control and holistic resource management, while avoiding undermining capacity.

Donor Objectives

In this context it becomes important to distinguish between aid to promote the national objectives of the aid-receiving country, and aid that is provided in pursuit of international public goods, or to promote the objectives of the aid-providing country. In the case of aid to support the national implementation of international public goods, this may in principle be subject to agreed restrictions about how it may be used, and procurement and provision at a supra-national level may be appropriate.

Several factors may be seen as driving change in a way that favours realisation of the Vision. The first is the active debate on aid effectiveness and pressures from within donor countries to scrutinise the results that aid achieves. The moves towards budget support and the international consensus around the Millennium Development Goals and the PRSP process are important

building blocks for this, particularly the realisation of the central importance of effective public finance management systems in achieving aid effectiveness. The second is pressure from aid recipients against aid tying either individually or collectively.¹³ The third is the general trend towards the globalisation of markets in services and skills.

The literature on the reform of technical assistance (including the terms of reference for this study) frequently refers to a distinction between “demand-led” and “supply-driven” modes of provision. The former term is used to refer to TA determined according to the recipient government’s own priorities, while the latter implies TA driven by donors’ priorities. There is some confusion in the terminology here over the role of demand in the market for the necessary services and skills, which again derives from viewing TA as an aid instrument “supplied” by donors, rather than examining the market relations. Both forms of TA are driven by demand – in the first case demand arising from the priorities of developing countries, and in the second case demand arising from the objectives of donors. The distinction therefore highlights the need to unpack the notion of demand, and to ask the question of whose demand is being articulated. The suppliers of TA are the consultants providing the services – so supply-driven TA (which is a significant problem as noted above) should be seen as reflecting a situation where decisions about services and skills have been captured by service providers.

Donors’ own priorities may influence the provision of services and skills to fulfil development objectives in two ways:

- Their global policy presumptions and objectives, for example the institutional base for an economy, the extent to which the market can or should be regulated.
- Their objectives for their own procurement policies.

The use of aid funds to promote donors’ policies range from their use to promote certain global policies such as the free market economy on the presumption that this generates a global public good to more specific assistance designed to promote their own economic interests in retaining control over specific markets such as pharmaceuticals.

Donors may also use the procurement process as an instrument of their domestic and international economic policy for example, both through the fields in which they decide to provide technical assistance and through the specifics of their procurement procedures, whether through specifications, e.g. specifying the policies to be promoted, or through the selection of the service providers, choosing those with known policy approaches.

Moreover, individual governments’ approach towards public purchasing will reflect their broad economic policy, most specifically as a supply side measure. In this context, it may be used to promote:

- domestic firms through “buy national” policies, e.g. restricting works projects to national suppliers;
- specific sectors of the economy by skewing purchasing to particular industries or even firms, e.g. road rather than rail;
- particular policies, for example encouraging e-commerce by example;
- development of particular regions, social groups or size of firms through preference schemes;

¹³ India has recently announced a policy of refusing tied aid.

- a competitive supply side by introducing rules intended to promote competition for government contracts, to achieve value for taxpayers' money.

In market economies, most, but not all public purchasing laws, rules and regimes are generally based on the last objective – value for money and overall economic efficiency through rules intended to promote competition. However, in practice, few regimes comply with this principle. For example, the Plurilateral Government Procurement Agreement under the WTO excludes from the ambit of its rules, purchasing from certain sectors or by certain public bodies or for certain purposes. Certain governments use this exclusion to apply buy national or preferential schemes. Development assistance is the most notable exception, most obviously by allowing signatories to tie aid.¹⁴

Recipient Capacities

The implementation of the Vision of On-budget Technical Assistance managed through national systems depends on the existence of adequate management and procurement capacity.

The weakest case are “Failed States” which lack any effective or coherent government systems. In this situation, international development agencies will need in the short term to substitute for the functions of government (including setting priorities, identifying development needs, managing procurement). In this situation, the optimal arrangement for the provision of TA skills and services is likely to involve a combination of contracting through pooling arrangements (to improve transparency and value for money) and direct provision by donors (with the advantage of speed and control). However, international development agencies will need to have a strategy for the establishment of the core capacities of the state including budgeting and development policy making.

A second level of capacity relates to the ability to establish and take forward an articulation of development policies, including turning these into a budget. In the absence of a coherent articulation of policies (reflecting, for example, severe political conflict or divisions of responsibilities between different autonomous parts of government), the scope for effectively providing aid is likely to be limited, though TA skills and services might be provided as part of an influencing strategy by international development agencies.

In addition to articulating a broad set of policies and programmes, developing countries must also be able to translate these into statements of need assessment exercises in order to articulate a demand for technical skills and services. Countries that have reached this level of capacity development should be able to develop their own detailed programmes for donor funded technical support, but may not be in a position to procure this assistance and integrate into the national budget.

For services to be used effectively in pursuit of national development objectives, an integrated budgeting process is required that allows resource use to be planned holistically against priorities. The model is for all resources to be accounted for and managed through the budget regardless of their source. If this is not possible, it may still be feasible to develop planning systems that integrate the management of off-budget resources into government decision-making. In situations where this capacity is weak, international development agencies should support processes of capacity development and ensure that their activities enhance rather than undermine the existing capacity.

¹⁴ Individual signatories are, of course, free not to tie aid but they are not compelled to untie.

These issues are discussed further in Chapter 6 below.

5. Donor Policies for the Provision of Technical Assistance

Moves to Reduce Aid Tying

Aid, particularly technical assistance, has traditionally been tied to suppliers from donor countries. Yet it is generally recognised that untying would increase value for money, and hence the real value of a given level of aid budget¹⁵. The World Bank estimates that full untying could lower the cost of aid by up to 25%. The DAC estimating that it may account for between 15% and 30% of the costs¹⁶. The practice not only has this direct effect on the cost of aid, but also sets a bad example to developing countries of discriminatory, preferential purchasing.

In May 2001, after long negotiations, the DAC adopted a Recommendation on “Untying ODA to least Developed Countries”. This Recommendation has only a limited impact on ODA since it:

- is confined to least developed countries,
- excludes technical assistance and food aid.

Progress has been limited because an important minority of OECD countries could not stand up to their domestic lobbies seeking to protect their interests. This is familiar territory: aid contracts are excluded from the scope of the Government Procurement Agreement.

There has been a long-standing debate over whether aid contracts are exempt from the European Law on Public Procurement which requires non-discriminatory purchasing within the Community.¹⁷ In December 2002 the European Commission adopted a Communication to the Council and European Parliament entitled *Untying: Enhancing the effectiveness of aid, COM(2002)639*. In this Communication the Commission states that:

- EU law on the Internal Market and on Public Procurement already applies to at least part of Member States’ aid. It is backing this up by taking legal action against those considered to have breached the law.
- Where the law does not apply it will propose an undertaking by Member States to untie aid and systematically to insert a contractual clause in the instruments by which aid is granted, obliging the authorities of the recipient country concerned to apply award procedures based on the principles underlying the Public Procurement Law.¹⁸
- It will propose specific EU legislation to integrate untying of Community aid into all relevant EU instruments.

However, in encouraging Member States to continue the work in the DAC, the EC Communication endorses the principle of reciprocity,¹⁹ which implies both continuation of the transaction costs

¹⁵ Tying effectively provides a subsidy to the supplier

¹⁶ OECD Observer, Policy Brief "Untying Aid to the least Developed Countries", July 2001

¹⁷ This law does not apply to the European Commission.

¹⁸ i.e. equal treatment, transparency, mutual recognition and proportionality

¹⁹ In the purchasing context, the principle of reciprocity usually means opening your market to the suppliers from countries which open their market to your suppliers. This was advocated by some during the DAC negotiations. Others objected on grounds of the transaction costs and because they would have had to close markets to some suppliers.

associated with tying,²⁰ and the example of discriminatory purchasing, which reduces value for money. Thus the international debate on aid untying continues to be governed by donor rather than recipient interests.

Bilateral Donor Policies

This section provides a brief review of the technical assistance policies of bilateral donors. In general, the big four providers of technical assistance (US, Japan, Germany and France) pursue a rather traditional approach to technical assistance. Their usual modalities are long-term, project-based TA that is managed and procured by donor agencies. The main examples of reform in TA provision can be found amongst the smaller providers, such as Sweden, Norway and the Netherlands.

United States

The United States is by far the world's largest funder of technical assistance. It provides more than 40% of its aid in the form of TA, which is the greatest share of any donor. Despite the importance of technical assistance in the US aid programme, there has been very little domestic discussion of TA performance and policy.

Technical assistance provided by the United States appears to follow broader aid allocations, with a particular concentration in Africa, Latin America and Countries in Transition. One of the particular characteristics of US technical assistance is its mobility from year to year in response to changing political priorities.²¹

US funded technical assistance is mainly provided in the form of development projects. USAID is prohibited by its rules and procedures from engaging in pooled funding or budget support.²² An important trend has been the increasing use of American-based Private Voluntary Organisations (i.e. NGOs) in the delivery of US funded projects, including technical assistance. Volunteers provided by the Peace Corps and other organisations are another element of US technical assistance.

Bilateral aid provided by the US is heavily tied to the procurement of goods and services from the United States. The recent DAC Peer Review criticises the practice of tying TA to US suppliers, and states that this "can impact on the quality of programmes because American experts may not be the most appropriate in all circumstances, or appropriately qualified Americans may not be readily available."²³

Despite a number of recent reforms and innovations in US aid policy, such as the Millennium Challenge Account and the use of results based management tools, there do

²⁰ i.e. the tied net is simply cast wider, but preferential purchasing is retained.

²¹ Baris, P. and Zaslavsky, J. (2001) *Reforming Technical Cooperation for Capacity Development, A Review of the Statistical Evidence 1969-1999*.

²² Baser, H. and Morgan, P. (2001) *The Pooling of Technical Assistance: An Overview based on Field Research Experience in Six African Countries*

²³ Development Assistance Committee (2002) *Development Cooperation Review United States*, OECD, p 57

not appear to be any reforms on the horizon regarding the provision of technical assistance. There has reportedly been a marked reluctance by the US to engage in UNDP-led discussions on the reform of technical cooperation.²⁴

Japan

Japan is a major provider of technical assistance, in particular to Asian countries, which receive over 60% of Japanese TA. Japan operates a dedicated technical cooperation agency, JICA, to procure and manage its TA programmes. The stated aim of JICA is to deliver "aid with a clearly visible profile ... provided efficiently by Japanese experts working as advisers at the heart of government in the recipient country."²⁵ Japanese TA is primarily long-term, and is provided in support of project-based activities managed by a resident expatriate expert and local counterpart. In addition, Japan supports research cooperation activities, training in Japan and third countries, South-South cooperation and a large volunteer programme. There have been several recent policy initiatives including the decentralisation of JICA, the strengthening of TA recruitment procedures and measures to increase NGO, private sector and municipal authority participation in the delivery of technical assistance.

Japan supported the DAC Recommendation on untying aid to the least developed countries. However, Japanese technical assistance is still normally tied to the procurement of Japanese expertise.²⁶

Germany

Germany has a long standing tradition of providing technical assistance through the government-owned technical cooperation agency GTZ and the volunteer service DED. There are currently around 1,400 GTZ-contracted expatriate advisers deployed in over 130 countries, in particular in Asia and Sub-Saharan Africa. Most of these advisers are employed to manage projects aiming to support technical innovation, policy reforms and institutional development. The project approach is still the main aid modality. There has been rather limited and cautious engagement with sector programmes and budget support modalities.

GTZ primarily operates as an implementing agency charged with managing and contracting technical assistance on behalf of the Federal Ministry of Cooperation (BMZ). However, GTZ is increasingly operating on an independent basis providing services for international clients, such as the World Bank, EC and Regional Development Banks. In 2001 these services amounted to 12% of the company's turnover. This raises concerns about fairness of competition since GTZ is increasingly competing on international markets for consultancy services while it continues to benefit from generous public funding.

²⁴ Pim de Kuizer, Netherlands Ministry of Foreign Affairs, personal communication

²⁵ JICA website <http://www.jica.go.jp/english/activities/index.html>

²⁶ Development Assistance Committee (1999) *Development Cooperation Review Japan*, OECD.

In recent years GTZ has reduced the number of international experts and increased its use of local professional staff. In principle international experts are provided only at the request of local partner organisations in the case of local capacity constraints. There has been a significant decentralisation of GTZ operations to the country level.

In spite of these changes, Germany's rather traditional approach to technical cooperation does not appear to have been fundamentally questioned. A recent GTZ evaluation reported very positive results of German technical cooperation, indicating there is limited internal interest in reform.²⁷ However, external assessments have raised a number of concerns. For example the latest DAC Peer Review suggested that "Germany should look at its technical cooperation policies, including the potential for new modalities of technical assistance, such as by sharing and exchanging technical cooperation resources with other donors, and the increased use of local staff."²⁸

Although German financial cooperation is generally untied, technical cooperation and consultancy services are generally tied to EU nationals or recipient country specialists. The majority of expatriate advisers are German, although there are many exceptions. The German government has indicated that it will implement the DAC agreement on untying aid to the least developed countries and is inclined to go beyond the binding aspects of the DAC agreement, which may indicate a willingness to untie technical assistance.

France

France maintains a large network of expatriate advisers working developing countries. However, numbers have reportedly fallen significantly over the past decade.²⁹ In 2001 there were 1,900 contracted technical assistants, a similar number of seconded civil servants, and 1,800 volunteers and national service recruits.³⁰ The majority operate in Francophone Africa. However, technical assistance is increasingly being directed at Asian and Central and Eastern European Countries.

Recruitment is carried out by the Ministry of Foreign Affairs, and usually takes the form of long-term (five or six year) contracts. A particular feature of French technical assistance is that expatriates are usually implanted within national administrations, and cover a broad range of professions, such as engineering, teaching, medicine, law, economics and agronomy.

The deployment of expatriate technical assistance has been an enduring feature of French policy, which is not only related to development objectives, but is also linked to foreign policy objectives, such as maintaining political, cultural and language ties. France has recently re-examined its technical assistance policies and has proposed a number of reforms. These include improving procedures to mobilise expertise, and introducing a facility for short-term technical assistance.

²⁷ GTZ (2001) *How Successful is Technical Assistance Cooperation? Project Results of GTZ and its partners*, 7th Cross Section Analysis.

²⁸ Development Assistance Committee (2001) *Development Cooperation Review Germany*, DAC Journal 2001, Vol 2(4)

²⁹ Baser, H. and Morgan, P. (2001) *The Pooling of Technical Assistance: An Overview based on Field Research Experience in Six African Countries*

³⁰ Ministère des Affaires Etrangères (2001) *Rapport d'activité 2001 Coopération internationale et développement*, http://www.france.diplomatie.fr/cooperation/dgcid/rapport_01/

French aid is traditionally governed by financial protocols that tie procurement to goods and services originating from France or beneficiary countries³¹. The latest DAC Peer Review criticises protocol-linked assistance, which is said to result “in a constant concern with fostering commercial penetration and local investment by French firms”.³² France has implemented the DAC resolution on untying aid to the least developed countries. Furthermore, it has reportedly untied all its operations in its “priority solidarity area” of 61 countries, including technical assistance associated with investment projects.³³

Other Bilateral Providers of Technical Assistance

Of all the major bilateral donors, the **Netherlands** has introduced the most far-reaching reforms in the provision of technical assistance. A recent policy review concluded, “The main traditional form of technical assistance – the long-term assignment of experts – is becoming an anachronism... It is no longer viable in the form it has taken for many years.”³⁴ The review did recognise a useful role for technical assistance in long-term capacity building, but only where these services are demanded and controlled by recipient countries as part of broader, nationally owned strategies for poverty reduction. Consequently the Dutch government has disbanded the department that was responsible for deploying Dutch expertise to developing countries, and is phasing out subsidies to the placement agency SNV. In future Dutch funding of technical assistance will be completely untied and provided only in the context of programmes that are initiated and managed by aid recipients, and are well integrated into broader development strategies. The Netherlands has been at the forefront of initiatives to coordinate joint donor funding of technical assistance in the context of sector programmes. It has also funded wider discussion of the future of TA amongst the international development community through the UNDP “reforming technical cooperation” initiative.

Norway has also completely untied its development aid, including technical assistance. It has ended its own recruitment of advisers, and has handed responsibilities for TA management and procurement to aid receiving countries. Norwegian funded advisers are accountable only to the governments that recruit them, and no longer to the donor. Norway ensures accountability for its aid funds through contractual agreements with recipient countries, rather than the micromanagement of projects and technical assistance. **Sweden** has employed a similar approach and has virtually abandoned all direct contracting of technical assistance by SIDA. In principle TA is procured, contracted and managed by aid receiving countries. However, some forms of technical assistance funding are still tied to Swedish expertise, for example in the case of the contract-financed technical assistance instrument.

In contrast to other Nordic donors, **Denmark** has significantly increased its use of long-term expatriate advisers over the past decade. This is in spite of the development strategy adopted by

³¹ putting it in potential breach of its obligations under the Treaty of Amsterdam -see COM(2002)639

³² Development Assistance Committee (2000) *France: Development Cooperation Main Findings and Recommendations*

³³ DAC (2002) *Development Cooperation Report 2002*.

³⁴ The Netherlands Ministry of Foreign Affairs (2000) *Policy Framework for Technical Assistance, Final report of the Technical Assistance Task Force*, October 2000

parliament in 1994 that emphasised national ownership, the importance of sector approaches and the increasing use of local advisers and short-term consultants. A recent and remarkably candid DANIDA report states that the increased use long-term expatriate technical assistance has largely been driven by the needs of DANIDA rather than the recipient country. The report admits that the “dominant function of Danish advisers appears to be ensuring timely and abuse-free implementation of established development co-operation programmes and projects”, and suggests that continued heavy deployment of expatriate TA will be required to safeguard Danish programmes in poor policy and governance environments.³⁵

The **United Kingdom** maintains a number of DFID-recruited advisers in projects and programmes, but the number of long-term advisers has been greatly reduced over the past decade. In contrast, there is an increasing use of short-term consultancy services, which can be mobilised rapidly. There has been a major effort to build in-house technical capacity through the recruitment of permanent advisory staff at headquarters and country offices. Consultants are contracted by DFID headquarters or country offices. Since April 2001 all UK development assistance, including consultancy services, has been completely untied.

Multilateral Providers of Technical Assistance

UN System

Although the UN is a major provider of TA, there is a lack of clear information on the size of this assistance. A recent report on UN technical cooperation expenditure states that technical cooperation in 2000 amounted to \$6.5 billion.³⁶ However, the definition of technical cooperation used by the UN is total programme expenditure, net of support and administrative costs. Clearly this is not consistent with the DAC definition, and includes considerable spending on goods (e.g. food aid) and services that are not related to technical assistance. A more reliable estimate can be derived from figures on UN procurement. In 2001 the UN system procured \$1.86 billion in services.³⁷ While some of this total is accounted for by services that are not related to technical assistance (e.g. air transport), it is probable that UN system purchases up to \$1 billion in technical assistance related consultancy services per year. In addition to this, the UN system provides technical assistance using its own officials, international and national project personnel, UN Volunteers and training through UN fellowships. In 2001 these costs (excluding UN officials) amounted to \$391 million.³⁸ Allowing for substantial UN staff costs, total UN expenditure on technical assistance (in line with the DAC definition) is probably in the order of \$2-3 billion per year.

Technical assistance provided by the UN system is discussed in detail in Annex A. Some distinctive features of UN technical assistance can be highlighted:

³⁵ Danida (2001) *Advisers in Danish Bilateral Development Co-operation*, Final Report, August 2001. Other informants have suggested that the Danish policy reflects concerns about underemployed Danish academics.

³⁶ UNDP (2001) *UNDP: Financial, Budgetary And Administrative Matters: Information On United Nations System Technical Cooperation Expenditure, 2000*, Executive Board of the UN Development Programme and UN Population Fund, Second Regular Session 2001.

³⁷ UNDP/IAPSO (2002) *Annual Statistical Report 2001*

³⁸ *Ibid.* p124. In 2001 the UN employed 6,407 international project staff at a cost of \$66.3 million, 34,519 national project staff at a cost of \$271.6 million, 445 UN volunteers at a cost of \$4.7 million and funded 26,370 UN fellowships at a cost of \$48.8 million.

- UN agencies are both funders and suppliers of technical assistance. They provide funding to buy-in services from consultancy companies, but also have considerable staff resources to provide TA services in-house. This raises competition issues and generates potential for conflicts of interest that are discussed more fully in Annex A.
- There is an important distinction between UN funds (e.g. UNDP, UNICEF and UNFPA) and UN technical agencies (e.g. FAO, WHO, UNCTAD, ILO). The UN funds mainly provide technical assistance in support of project activities or programmes at the country level. The specialised agencies are engaged in activities both at the country level (operational activities), and at the global level in setting norms, standards, treaties and guidelines (normative work). They carry out technical assistance in relation to both operational and normative activities, and frequently argue that the two types of technical assistance are complementary and are essential to fulfilling their mandates.
- Technical assistance services procured by UN agencies are completely untied. For purchases greater than \$100,000 International Competitive Bidding is the rule.
- A large proportion of UN project management procurement is carried out by beneficiary countries under the modality known as 'National Execution NEX'. During 1999 over 69% of all UNDP funded procurement was conducted under NEX.³⁹ The technical agencies use NEX to a lesser extent, although the practice is rising. In countries with weaker procurement and project management capacity Direct Execution (DEX) by UN agencies is more common. The UN retains a considerable procurement capacity in the form of organisations such as the United Nations Procurement Division (UNPD), the Inter-Agency Procurement Services Office (IAPSO) and the UN Office of Project Services (UNOPS).

Bretton Woods Institutions

The World Bank and IMF are major providers of technical assistance. This is mainly included as part of the ongoing lending programme as due diligence, project preparation, backstopping, monitoring and evaluation activities. It is impossible to provide estimates of the size of this type of assistance, which is usually hidden within project costs and staff wages. The World Bank also finances standalone technical assistance activities in the form of Technical Assistance Loans and Learning and Innovation Loans. In 2002 total approvals of these two categories of loans exceeded \$450 million dollars, around 5% of total lending.⁴⁰

In spite of the importance of technical assistance in the World Bank portfolio, a recent evaluation has found that Technical Assistance Loans (TALs) have performed poorly. The 1995 Portfolio Review rated only 19% of TALs as being 'satisfactory', and concluded that TALs were the least effective of the Bank's main instruments. The evaluation concluded that poor performance was in part explained by factors in borrowing countries (lack of commitment and ownership), but was also due to the Bank's own approach, organisational culture, capacity and procedures. It was suggested that technical assistance is not a core competence in the Bank, and that staff often view technical assistance as a second-class activity in comparison to other lending operations.⁴¹

³⁹ UN (2000) United Nations System General Business Guide for Potential Suppliers of Goods and Services with Common Guidelines for Procurement by Organisations in the UN System.

⁴⁰ World Bank website. Projects database.

⁴¹ World Bank Group, (1997), *A Review of Technical Assistance loans in the World Bank: Executive Summary*, Journal of Technical Cooperation

In addition to providing TA services to borrowers, the World Bank has attempted to establish itself as a major source of knowledge on development. It has begun to organise its knowledge activities to focus on three objectives: (i) making effective use of knowledge to support the quality of operations, (ii) sharing knowledge with its clients and partners, and (iii) helping clients enhance their capacity to generate, access, and use knowledge from all sources. This is reflected in the Bank's internal reorganisation along thematic lines and the creation of networks of expertise, as well as various outreach initiatives including the World Bank Institute (WBI) learning programs, the Global Development Learning Network (GDLN), the Development Gateway and the African Virtual University.

Procurement of consulting services included as part of World Bank financed projects is carried out by the borrowing country according to standard World Bank rules. The preferred procurement method is international competitive bidding. In principle, tenders are open to suppliers from any of the Bank's member countries.

Regional Development Banks

The Regional Development Banks (Asian Development Bank, African Development Bank and Inter-American Development Bank) provide technical assistance in a similar manner to the World Bank. The amount of loan finance provided by the Regional Development Banks for technical assistance is quite significant. For example, the Asian Development Bank provides on average \$160 million per year for technical assistance projects. In a recent evaluation the Asian Development Bank reported similar problems with technical assistance projects as the World Bank. The performance of these projects in supporting policy reform processes was found to be below potential.⁴²

The Regional Development Banks apply similar procurement rules to the World Bank. However, the procurement of technical assistance is tied to donor countries and countries in the respective region.

World Trade Organisation

Technical assistance provided by the World Trade Organisation has expanded in recent years. At the Doha Ministerial Meeting donor countries agreed to finance an ambitious set of commitments for trade related technical assistance as a condition for the agreement of developing countries to the new trade round. As part of this package the WTO is stepping up TA to build trade negotiating capacity and institutional capacity to build trade rules and implementation.⁴³ The annual TA budget for WTO is around \$40 million per year. Other international organisations (e.g. UNCTAD, ITC and UNDP) and bilateral donors have also been increasing their support for trade related technical assistance. Defined in broad terms, trade related technical assistance amounted to \$1.48 billion in 2001, or around 11% of the global total for technical assistance reported by OECD/DAC.⁴⁴ Further discussion on this significant and growing area of technical assistance is provided in Annex E.

⁴² Asian Development Bank, (2001), Special Evaluation Study on Sustainability of Policy Reforms through Selected Advisory Technical Assistance, ADB

⁴³ World Trade Organisation (2003) *Coordinated WTO Secretariat Annual Technical Assistance Plan 2003*

⁴⁴ WTO Trade Related Technical Assistance and Capacity Building Database - <http://tcdb.wto.org/index.asp?lang=ENG#>

European Commission

The European Community funds a large aid programme managed by the European Commission. This amounts to around \$6 billion per year in terms of disbursements. There are no figures available on technical assistance provided as part of this programme. However, experience indicates that most EC projects make extensive use of externally contracted technical assistance, in particular for project management functions. It is probable that the share of technical assistance in EC aid is around 30%.⁴⁵

EC policies regarding the procurement and management of TA are complicated by the numerous different instruments comprising the EC aid programme. There is a major distinction between the European Development Fund (EDF) covering the African, Caribbean and Pacific countries and budget lines that are part of the European Community Budget. The EDF is managed by recipient countries, who are in principle responsible for programming, project management, and the procurement of goods and services, including TA. Funds that are included in the European Community budget are more closely controlled by the European Commission. Project management and procurement is carried out by EC headquarters (EuropeAid), or increasingly by the in-country delegations, on behalf of the recipient. Most EC projects are managed by an expatriate resident adviser and local counterpart, who must be approved by the EC and the recipient country government.

European Community aid is tied to procurement of goods and services originating in the European Union or in the region covered by the respective fund (e.g. ACP, Mediterranean, Asia and Latin America etc.) In practice, there is very little developing country participation in the supply of technical assistance services for EC projects. For technical assistance contracts greater than EUR 200,000 restricted tendering procedures apply. Negotiated procedures may be used for lower amounts.⁴⁶

NGOs

Non Governmental Organisations are becoming increasingly important actors in the supply of technical assistance. Increasingly the role of International NGOs (INGOs) has been to support to capacity building of southern NGO and civil society partners. These actions may be funded by the INGOs themselves where they have substantial own resources, for example in the case of large charitable organisations and faith based INGOs. However, there is a clear trend towards donor funding of NGOs to implement specific project activities that often include an element of technical assistance. In some cases NGOs receive direct donor grants, but most often they must compete for funding. Competitive pressures to secure donor contracts have compelled many NGOs to operate in a similar manner to private consulting firms.⁴⁷ NGOs can be considered to be both funders of technical assistance in their own right, but increasingly operate as suppliers of TA competing internationally for donor funds.

⁴⁵ Authors own experience of managing EC funded projects.

⁴⁶ Under restricted procedures the EC invites a limited number of contractors to tender. These have previously been shortlisted on the basis of Expressions of Interest submitted in response to a published procurement notice. Under negotiated procedures the EC consults candidates of its choice, and establishes contract conditions with them directly. Source: *Rules and Procedures for Service, Supply and Works Contracts financed from the General Budget of the European Communities in the Context of Cooperation with Third Countries*.

⁴⁷ Cooley, A. and Ron, J. (2002) 'The NGO Scramble: Organisational Insecurity and the Political Economy of Transnational Action', *International Security*, 27(1)

Private Foundations

A number of privately funded foundations award grants that may include an element of technical assistance. For example, the Bill and Melinda Gates foundation provides around \$500 million per year in funding for health sector activities in developing countries. The Open Societies Institute, financed by George Soros, is heavily involved in training activities and the funding of scholarships to promote democracy, good governance and the rule of law in Central and Eastern Europe.

6. Implementing the Vision

Adapting the Vision to National Circumstances

The vision for technical assistance presented in Chapter Four represents an ideal case, where governments have sufficient capacity to purchase expertise and advisory services on international markets using their own budgeting and procurement systems. In practice, most heavily-aided countries have not yet reached this level of administrative capacity. As a general rule, the countries in greatest need of technical assistance have the least capacity to manage it. Therefore, the vision for technical assistance cannot be implemented as a blueprint, and must be adapted to country circumstances. Where administrative capacity is weak, implementation is only possible in a partial sense. However, the principles of demand-led, market-based, country-owned and on-budget technical assistance can be introduced progressively as conditions allow. This process will be facilitated by long-term assistance to build capacity at the national level to manage TA.

Table 1 provides a typology of developing countries according to their level of capacity to manage technical assistance. This can be thought of as a hierarchy, although in practice capacity development may not always follow this order. Different modes of provision for technical assistance are appropriate for different levels of capacity. Various country examples and innovative donor instruments are shown in the table and discussed below. At the lower end of the hierarchy are 'failed states', which lack effective and coherent government systems. In this situation, international development agencies will need in the short-term to substitute for the functions of government (including setting priorities, identifying development needs and managing procurement and budgets). The optimal arrangement for the provision of TA skills and services will involve a combination of contracting through pooling arrangements (to improve donor coordination) and direct provision by donors (with the advantage of speed and control). International development agencies will need to have a strategy for the establishment of the core capacities of the state.

At the next level of capacity, governments are able to articulate their general development priorities, but may have difficulty translating these into specific demands for technical assistance. Development agencies that were interviewed as part of this study frequently emphasised this problem. While there is considerable demand for expertise and advisory services, developing countries are often unable to identify their specific needs and articulate demand precisely. In this situation donors may have to take the lead in supporting needs assessment exercises. Nationally-owned policy frameworks, such as PRSPs and SWAPs should be used to guide the provision of technical assistance by donors in close consultation with governments. Donors would generally retain responsibilities for TA programming, procurement and management. Again, a combination of pooling arrangements for TA funding and direct donor provision would be appropriate.

At a higher level of capacity governments are able to identify their needs for technical assistance and to articulate specific demands that closely relate to national policy and planning frameworks (e.g. PRSPs and SWAPs). Donors should coordinate their assistance in support of these frameworks, ideally using TA pooling arrangements. These

principles have been followed in the *Integrated Framework for Trade Related Technical Assistance* that is described in Box 1 and discussed more fully in Annex E.

Table 1: Elements of National Capacity to Manage TA Skills and Services

Level of capacity	Mode of TA provision	Examples
Graduation from aid/ existence of well-developed domestic TA industry	A limited role for donor provision of TA may be justified in areas not well covered by the domestic TA industry and government funding.	India, Brazil, Mexico
Procurement of TA by the recipient country	Recipient government takes responsibility for TA procurement and management. Most donor support channelled through the government budget.	Botswana Swedish Contract Financed Technical Assistance UNDP National Execution
Integration of TA into the national budget	Funding for TA fully reflected in national budgets. Donor funding usually provided in the form of budget support managed by governments. In some cases donors may wish to retain control of procurement.	Uganda
Identification of TA needs by recipient country	Specific TA requirements identified by government and integrated into PRSPs and SWAPs. Various types of pooling arrangements to coordinate donor funding in support of the government's TA priorities.	Integrated Framework for Trade related technical assistance
Articulation of development priorities	Provision of TA by donors in support of general development priorities identified by governments in PRSPs and SWAPs. Combination of pooling arrangements for TA funding and direct donor provision.	Cambodia
Very limited capacity/ failed states	Considerable TA required to substitute for missing government capacities. Combination of pooling arrangements for TA funding and direct donor provision.	Afghanistan

Where governments have sufficient capacity in public financial management, it is important that TA resources are fully reflected in national budgets. This enables a clear assessment of the opportunity costs and trade-offs associated with technical assistance, and focuses attention on issues of cost-effectiveness. Ideally all resources should be accounted for and managed through the national budget regardless of source. However,

this will depend on the government's standards of budgetary management and financial accountability. Where donors are not fully confident in government systems, they may wish to retain greater control of resources and procurement using intermediate arrangements, such as mixed TA pooling (see below). The general principle, however, should be to ensure that all resources, both on-budget and off-budget, are integrated into national planning systems and decision making. Uganda has made great progress in integrating TA resources into the national budget. Key features of Uganda's TA management policy are shown in Box 2, and discussed more fully in the annexed case study commissioned for this report.

Box 1 – Identifying Demand for Technical Assistance
The Integrated Framework for Trade Related Technical Assistance

The Integrated Framework (IF) was launched by six multilateral institutions in 1997 (IMF, ITC, UNCTAD, UNDP, World Bank and the WTO). It has two objectives: (i) to "mainstream" trade into the national development plans (e.g. PRSP) of least developed countries, and (ii) to assist in the co-ordinated delivery of trade-related technical assistance in response to needs identified by the LDC.

The Integrated Framework provides an example of a process to assist governments in assessing their needs for trade related technical assistance. There are three stages in this process. First, the request must be initiated by the developing country, who must establish a National IF steering committee. Second, a detailed study of trade policy and capacity building needs, referred to as the Diagnostic Trade Integration Study (DTIS), is conducted, usually using World Bank technical assistance. Finally, the beneficiary government must validate the DTIS and translate its findings into an action plan linked to the PRSP, which serves as basis for subsequent provision of trade-related technical assistance.

In the first few years of the IF very little assistance was delivered as a result of the complexity of the process and inadequate coordination between the six agencies. In 2000 the Integrated Framework was revamped in order to give developing countries greater control, and to integrated trade related technical assistance within the PRSP process. The creation of specific trust funds for the Integrated Framework has also facilitated implementation. The revamped IF has initially been implemented on a pilot basis in Cambodia, Madagascar and Mauritania, and will be extended to a second wave of 11 Least Developed Countries.

For further details see Annex E on Trade Related Technical Assistance and Capacity Building

Box 2 – Bringing Technical Assistance On-budget – The Case of Uganda

The Government of Uganda launched a new technical assistance policy in 1993 that sought to establish government control of technical assistance resources and personnel. One of the main aims of the policy was that all TA resources should be channelled through the Ministry of Finance and Economic Planning (MoFEP). Ideally TA funds would be provided in the form of budget support in the context of the sector-wide approach. In all cases the government of Uganda request donors to declare all TA resources to the MoFEP so that they can be reflected in national budgets. In addition to establishing budgetary control, the policy also provides for a much greater government role in the management, supervision and recruitment of technical assistance.

Donor practices have begun to change in response to this policy. Most donors, including the UK, Ireland, The Netherlands, Sweden, Norway, Canada and the European Commission have complied with the policy. There is an increasing trend towards general budget support, and declining off-budget TA expenditures. Technical assistance in the form of long-term international experts is declining in favour of national experts. Line ministries have become increasingly involved in TA procurement.

A few donors, including Denmark, Japan and the United States are resisting government calls to provide TA in the form of budget support. The main reasons given are: (i) in some cases their laws do not allow for general budget support, (ii) they are concerned about the fungibility of budget support, and (iii) corruption may lead to the abuse of aid resources.

Balihuta, A.M. (2003) *Strengthening the Management of Technical Assistance: Uganda's Experience* – See annex D.

Box 3 – Botswana – Best Practice in TA management

Botswana has gone further than any other African country in implementing TA reform. The Botswana approach involves a combination of strong country direction and aid integration, based on four key principles:

- 1) All development cooperation, including TA, is channelled through the national planning and budgeting system. Aid-funded projects must be included in the national development plan, which is approved by parliament, and have assigned budgets and resources.
- 2) All TA is contracted by government, integrated into the human resource planning of the public service and assigned to established posts. Separate project and advisory posts are not created.
- 3) The government, through the Ministry of Finance and Development Planning, ensures aid coordination by controlling all dealings with international funding agencies on a one-to-one basis. Sectoral ministries do not enter into separate agreements. There are no consultative or roundtable groups. Donors are encouraged to harmonise their procedures with those of the government.
- 4) The government has proven itself more than willing to refuse offers of assistance that do not meet the needs of Botswana, a stance that is made easier because of the large revenues from diamonds.

Quoted from Baser, H. and Morgan, P. (2001) *The Pooling of Technical Assistance: An Overview Based on Field Research Experience in Six African Countries*.

Box 4 – The future of externally provided technical assistance in India

India represents an important case of a country graduating from foreign aid and externally provided technical assistance. As aid resources have declined in significance, the Indian government has renegotiated its relations with donors. In future only the largest donors will operate country programmes, other donors will be encouraged to provide budget support or NGO grants, tied aid will be increasingly refused, and the use of domestic sources of TA will be encouraged.

Over the past decade the domestic TA market in India has matured rapidly. Many major international consulting firms entered India in the early 1990s, which stimulated the development of local subsidiaries and independent consultancies. The Indian TA market provides a range of internationally competitive services at lower cost than most offshore service providers. Demand has arisen mainly from government and the private sector. However, the services offered are also relevant to development agencies. Indian TA providers have some important advantages, including moderate to good technical and IT skills, English proficiency, knowledge of complex local institutions and cultures, and low costs. India is now attempting to export TA services to least developed countries in Africa and Asia.

In this context donors are reappraising their TA strategies in India. In the late 1990s DFID established its Contract and Procurement Advice Section (CaPAS) to streamline the procurement of TA in line with DFID's new untied aid policy. This has played an important role enabling the development of a transparent and competitive market for TA by mentoring the development of in-country TA services, and developing specialist panels of consultants in areas where in-country capacity is thin. The share of expatriate TA providers has fallen from 90% to 55%, and DFID procurement costs have dropped sharply.

In spite of the rapid development of India's TA sector, there are some remaining weaknesses. Domestic capacity is still lacking in some subjects, such as public finance, governance, regulation and law, education, health systems management, global environmental management, international trade and intellectual property rights. TA provision is mainly restricted to private sector consulting firms. Other potential providers, such as universities, research institutions, government policy and training institutions and NGOs, play a rather limited role. In view of these weaknesses, the main priorities for donor engagement in the future development of the TA sector in India include:

- 1) Continuing to open up the market for TA services to domestic competition,
- 2) Strengthening public sector training and policy institutions, as well as universities as sources for consulting and advisory support,
- 3) Improving the quality, professionalism and accountability in the sector through self-regulation and competition, and
- 4) Using focussed internationally-sourced TA in identified gap sectors.

Source: Revi, A. (2003) *The Future of External TA-Linked Assistance in India*. See Annex C

Some aid receiving countries have assumed full responsibility for TA procurement and management. A well-known example is Botswana (box 3), where all technical assistance is on-budget and procured using government systems. Another example is Sweden's model of contract financed technical assistance, where procurement responsibilities have

been handed over to recipient countries, and SIDA operates purely in a financing and facilitating role.⁴⁸ UNDP projects operating under the National Execution modality also provide governments with full control over TA management and procurement (see Annex A).

The highest level of the hierarchy shown in Table 1 refers to countries that have well-developed domestic technical assistance industries and that finance most of their technical assistance requirements without donor support. Countries that fit this description include India, Brazil and Mexico. In this situation donors should play a limited and declining role in the provision of technical assistance. However, selective interventions may be justified in order to mobilise international expertise and advisory services where there are gaps in the domestic TA industry and where government capacity is lacking. The case of India is the subject of a report commissioned for this study (see annex C), and is summarised in box 4.

Additional Requirements for the Implementation of the Vision

There are a number of additional requirements for the implementation of the vision for technical assistance that apply across all of the country types discussed above. These points are well discussed in the existing literature, and need only be reviewed here by way of a summary:

Aid Untying

As previously discussed in chapter two, technical assistance remains heavily tied. This raises the cost of technical assistance and distorts international markets for expertise and advisory services. Furthermore, it greatly complicates the process of transferring TA budgets and procurement responsibilities from donors to recipient governments. Full untying of TA is a precondition for the vision of market-based and country-owned technical assistance presented in this paper.

Pooled TA Funds

Pooling refers to the combining of donor resources in support of a common technical assistance programme. The primary aim is to improve donor coordination, to reduce fragmentation, and to limit the administrative burden on recipient governments of managing multiple aid relationships. TA pooling is often intended to strengthen government ownership, but this depends on the extent of government control over the use of pooled donor funds. Donors have experimented with a variety of arrangements for pooling that Baser and Morgan (2001) categorise into three groups:⁴⁹ *Full TA pooling* occurs when resources are transferred to governments, who control and contract TA personnel. Under *mixed TA pooling* one of the participating donors carries out TA contracting and fund management on behalf of government and the other donors. The most common arrangement is *loose TA pooling* where governments and donors agree on a common programme, but TA contracting and fund management is carried out by individual donors. The choice of pooling arrangements depends on the level of recipient government capacity, and rules and constraints imposed by individual donors.

⁴⁸ Danielson, A., Hoebink, P. and Mongula, B. (2002) 'Are Donors Ready for Change?', *Development Policy Journal*, Vol 2, December 2002

⁴⁹ Baser, H. and Morgan, P. (2001) *The Pooling of Technical Assistance: An Overview based on Field Research Experience in Six African Countries*

The Baser and Morgan study of the early experience of TA pooling points to significant benefits in terms of improved donor coordination. However, the impact on national ownership has been modest, and there has been no significant change in the costs of TA and quantities used. TA pooling creates complex coordination problems for donors, and is also very demanding on recipient country capacity. For these reasons TA pooling often results in a slower delivery of TA than under direct provision by individual donors. The main conclusion of the evaluation is that TA pooling on its own does not appear to be a decisive innovation, but it can make a contribution as part of a broader package of TA and aid management reform.

Recipient Country Management of TA Personnel

One of the central criticisms of the technical assistance literature is that TA personnel are often more accountable to donors than beneficiary governments, and that they are not well integrated into national civil service management and pay structures. At present the role of the recipient government in TA management is often restricted to approving the donor's choice of consultants. Technical assistance personnel are often deployed in separate advisory and project management posts outside of regular government structures, and are employed at rates of pay far greater than regular civil service salaries. These problems point to the need for governments to take greater responsibility for the management of TA staff, including their deployment, supervision and performance assessment. This principle should be applied as far as possible in all countries irrespective of arrangements for financing and procuring TA.

Building Domestic Capacity to Deliver Expertise and Advisory Services

The ultimate objective of the vision for technical assistance should be to remove the need for externally provided TA altogether. As the case of India shows, large developing countries have the potential to develop their own expertise and advisory services, which can be mobilised at a fraction of the cost of international TA, and may in the long-term become a significant export industry. It is important to think more broadly than technical assistance, in terms of supporting the development of markets for advisory services and expertise both internationally and within developing countries. The Indian case demonstrates that this requires actions to: (i) develop the skill base of the population, (ii) promote competition, (iii) provide an enabling environment for the development of local consulting companies, and (iv) strengthen linkages between private companies, higher education and research establishments. Although some of these areas are rather beyond the scope this study, they are worth considering as part of long-term strategic thinking on how to build and retain domestic capacity to deliver expertise and advisory services for development.

Other Innovations in TA Management

The technical assistance literature describes several new approaches to TA delivery, including greater emphasis on South-South cooperation,⁵⁰ twinning between Northern and Southern institutions, greater use of short-term consultancy inputs and non-resident advisors in the place of long-term expatriate TA, the use of the internet in knowledge dissemination and the creation of knowledge networks by international development

⁵⁰ Ekoko, F. and Benn, D. (2002) 'South-South Cooperation and Capacity Development', *Development Policy Journal*, Vol 2, December 2002

agencies.⁵¹ All of these approaches have their place in raising the effectiveness of technical assistance. It is expected that the market-based approach presented in this paper will be generally supportive these new forms of TA, which are likely to prove competitive and cost-effective.

Obstacles to the Implementation of the Vision

The problems with technical assistance have been well known for decades. There is now broad agreement on both the nature of the problem and on the elements of the required reforms. Recent initiatives, such as the discussions convened by UNDP on Reforming Technical Assistance, have forged a general consensus that TA needs to become more demand-driven, country-owned, market-based and integrated into national systems and budgets. The vision for technical assistance presented in this paper appears to be relatively uncontroversial, at least on a conceptual level.

While there is a general agreement on the principles of TA reform, the practice of donor supported technical assistance has been slow to change. It has lagged behind new thinking in aid management and changed international and national contexts. While there are examples of emerging good practice, these are still the exception, and the general picture is still one of donor-driven TA that carries many of the traditional ills.

Change has proven difficult because there are numerous institutional obstacles on the side of both donors and recipients, as well as vested interests within the global consulting industry. The key obstacles in these three areas are summarised below:

Obstacles to change within donor organisations

- *TA serves the donor's own specific interests*
In many cases technical assistance is deployed primarily to meet the specific management needs and strategic objectives of the donor. Technical assistance is frequently deployed as an aid to donors to ensure smooth project implementation and the proper use of donor funds. Another important function of TA is to be the eyes and ears of the donor implanted within national administrations to monitor policy reform processes. Donors are likely to be reluctant to give up direct control of TA, which serves their management and strategic needs. There may be nothing wrong with the use of TA in this respect. However, there needs to be greater clarity on the purpose of TA and to whom it is accountable. Donors should not confuse TA that primarily serves their own needs with TA made available to recipient governments.
- *Incentives faced by donors*
Programme managers within donor agencies are confronted with pressures to ensure disbursement of funds and rapid programme execution. This creates a tendency to maintain control of resources in order to deliver immediate results. The objectives of building partnerships based national ownership are well recognised by donors, but incentives to support such long-term processes are lacking. Hence, donors are likely to maintain tight control of TA as a means to ensure short-term programme delivery, and may have little interest in supporting longer-term TA reform processes.
- *Bureaucratic inertia*

⁵¹ Banerjee, N., Valdiva, L. and Mkandla, M. (2002) 'Is the Development Industry Ready for Change?'; *Development Policy Journal*, Vol 2, December 2002

Donor organisations are slow to change because they are large and complicated bureaucracies. Rigid hierarchies, entrenched procedures, and a lack of institutional memory limit the scope for critical self reflection. Maintaining the status quo requires no argument, but reforming established practices certainly does.⁵²

- *Vested interests*

Technical assistance is so central to the work of certain development agencies (e.g. GTZ) that fundamental TA reform challenges their *raison d'être*. Where jobs and careers depend on the provision of technical assistance, there is likely to be considerable opposition to change.

- *Lack of capacity within donor organisations*

Many donors have limited experience of new approaches in TA management, and would need to strengthen their own capacity in order to engage with TA reform processes.

- *Obstacles to aid untying*

Some bilateral donors have been very reluctant to untie technical assistance where this is seen as a means to maintain national presence and influence. A collective action problem arises with aid untying. Although all parties would benefit from the full untying of TA, there are strong disincentives to action by individual donors. Individual donors may be unwilling to take unilateral action in the knowledge that this would hurt domestic TA suppliers and benefit foreign domestic suppliers.

- *Obstacles to budgetary aid and TA pooling*

Certain donors, such as USAID, are legally prevented from engaging in budget support and basket financing. Others may be unwilling to accept the loss of influence and control that these aid modalities entail.

Obstacles to change on the recipient side:

- *Lack of capacity to manage TA*

As indicated in section 4.1 the level of capacity of recipient countries is one of the principal determinants of the ability of developing countries to direct the TA management process. Long-term support is required to build capacity to manage TA, particularly in relation to needs assessment, budget management and procurement.

- *Unfavourable policy environments*

The vision for technical assistance presented in this paper assumes that donors and governments share a common understanding of development objectives and policies. In unfavourable policy environments there is a considerable risk that resources provided to governments to procure advisory services may be used for purposes that the donor does not intend. It is recommended that TA reform initiatives should be limited to countries with strong policy frameworks and commitment to reform. Providing large scale technical assistance to governments that are not committed to sound policies is unlikely to be an effective use of donor resources. However, donors may still wish to deploy TA on a limited scale as part of a strategy to advocate and influence policy change.

- *Risk of corruption*

⁵² Danielson, A., Hoebink, P. and Mongula, B. (2002) 'Are Donors Ready for Change?', *Development Policy Journal*, Vol 2, December 2002

Transferring budgeting and procurement responsibilities to recipient governments carries the risk of inviting corruption in the award of TA contracts. This is a very significant risk in countries that have low standards of public expenditure management and inadequate or poorly enforced procurement rules. The success of TA reform will much depend on improvements in national procurement and accounting systems, and the support that donors can provide to this process.

Vested interests in the consulting industry

The vision for technical assistance presented in this paper would, if implemented, present a considerable upheaval for consultancy companies that have structured their work around close relations with particular donors. These firms will certainly become exposed to greater international competition, and will increasingly have to demonstrate their value to developing country clients rather than donor agencies. There is likely to be some opposition to change that threatens the sometimes cosy relationships between companies and donors.

Although there may be certain vested interests at stake, it is doubtful whether the consulting industry would act as a powerful and concerted lobby group. The industry is simply too small, diverse and loosely connected. It has developed in response to donor practices and policies, and has little power to change them. There may also be a realisation that TA reform will present new opportunities while closing off old ones.

Prospects for Change

The evidence presented by this study suggests that there has been slow progress in changing technical assistance practices. Despite this, there are positive examples of change, which indicate a clear direction towards more demand-led and market-based technical assistance. The prospects for further change appear to be relatively favourable in the long-term, and will be driven by a number of processes:

- Criticism of technical assistance as traditionally practised by donors is mounting, and this view is widely shared across stakeholder groups.
- New modes of aid delivery are gaining ground. As governments assume greater control of development assistance through new instruments, such as PRSPs, SWAPs and budget support, it will become harder to argue that technical assistance is a special case that must remain tightly controlled by donors.
- Some developing countries are demonstrating increasing capacity and readiness to take control of technical assistance management.

The numerous obstacles to change discussed in the previous section are significant, but not insurmountable. The obstacles on the recipient side call for a gradual and differentiated approach tailored to the varying capacities, policy environments, governance conditions and development trajectories of aid-receiving countries.

The obstacles on the donor side call for a combination of individual and collective action. Most change will occur through unilateral action, and there is bound to be divergence between donors. Some donors, such as The Netherlands, Norway and Sweden, as well as UNDP, have demonstrated a willingness to make radical policy changes and to bring the issue of TA management to the forefront of the development debate. Other donors are likely to adjust their policies on a more gradual basis. A key risk is that the main bilateral providers of TA (US, Japan, Germany and France) will continue to resist reform.

However, a combination of high profile international debate, peer pressure and greater assertiveness from developing countries may be sufficient to induce reform.

Collective action between donors will also be important to achieve key elements of the vision for TA, such as aid untying, common TA policy frameworks, and greater pooling of TA resources. A number of coordination mechanisms exist at the international level (most importantly, the DAC), and within developing countries (roundtables, CG meetings etc.) A key weakness is that many agreements between donors tend to be voluntary, non-binding and lowered to the least common denominator (witness the process on aid untying).

Furthermore, there are very few forums in which the collective voice of developing countries on TA reform can be heard. All of these issues point to the need to raise the profile of technical assistance issues on the international development agenda and to stimulate a process of inclusive debate.

Implications of Implementing the Vision

The Vision outlined here calls for donor policy to be focused on helping developing countries to build the capacity to procure and manage advisory assistance effectively. In situations where government capacity remains weak, modes of TA provision should be designed to build this capacity and to bring decisions about TA within the national budget framework to increase ownership and to make clear the cost of TA and allow decisions about the procurement (or in-house provision within the civil service) of advisory services to be taken within a wider process of decision-making about priorities.

Some of the potential consequences of moving towards the implementation of the Vision in relation to UN agencies are discussed in Annex A. More generally, a process of implementing the Vision is likely to imply the following:

- A strong emphasis on building procurement, management, and budgeting capacity as part of the PRSP and related processes as donors progressively move towards using budget support to agreed poverty reduction strategies as a major mode of aid provision.
- A continuation in the trend towards more local and regionally sourced TA with the market increasingly globalised and competitive.
- Significant falls in the costs of TA and the proportion of aid that is devoted to funding TA.
- A much clearer distinction between the use of TA to inform donor policies and pursue donor objectives, and the provision of aid to developing country governments.
- Initiatives towards greater sharing of experience and information between developing country governments on the quality of TA service providers and to reduce the transaction and information search costs for (especially) small developing countries.
- A series of transitional arrangements involving TA pooling and other elements of emerging good practice.

Annex A: Technical Assistance in the UN System

The Role of the UN in Providing Technical Assistance

Technical assistance is a core function of UN agencies. For example, the FAO Constitution mandates the organisation “to furnish such technical assistance as governments may request”.⁵³ Similarly, the WHO Constitution states that the functions of WHO shall be to “assist governments, upon request, in strengthening health services, and to furnish appropriate technical assistance ...”⁵⁴

It is difficult to quantify UN technical assistance because of the complexity of UN agency budgets and TA management arrangements. Technical assistance is not accounted for as a separate budget item. It is provided using UN staff and contracted consultants. These personnel may be deployed in a variety of roles including administration, political dialogue and normative functions, as well as technical assistance. It is therefore very difficult to estimate what share of these human resources are deployed in delivering TA services. The mix of core funding and extra-budgetary contributions creates additional complexity. Because of these problems, it is very difficult to obtain reliable figures on the amount of technical assistance provided by individual UN agencies. As discussed in chapter 2, published figures on UN technical cooperation include all operational expenditure (i.e. all project and programme expenditure). These figures have little use for this study that focuses specifically on expertise and advisory services. In chapter two an estimate of UN technical assistance conforming more closely to the DAC definition was provided based on procurement data and staff costs. This figure of \$2 to \$3 billion per annum should be treated as a very rough estimate. It is not possible to provide similar estimates for individual UN agencies.

Regardless of these accounting difficulties, it is clear that technical assistance is a major function of UN agencies. Many staff who were interviewed stressed that the comparative advantage of UN agencies in relation to bilateral donors and international finance institutions lies in mobilising advice and expertise rather than large scale financial resources.

Normative and Operational Functions

There are essentially two types of technical assistance provided by UN agencies: (i) TA linked to operational functions, and (ii) TA supporting normative functions. The first type relates to the delivery of services within country programmes that are aimed at providing public or private goods at the national level. The majority of technical assistance provided by UN agencies falls into this category. Examples include technical support for national food security programmes (FAO), the development of national health systems (WHO), and the strengthening of customs authorities (UNCTAD). The programmes of the UN funds (UNDP, UNICEF, UNFPA) are almost exclusively in this category. The vision for technical assistance presented in this study envisages that such services should as far as possible be provided according to national demand, delivered using market-based mechanisms, and funded through government budgets.

⁵³ FAO Constitution, Article 1, paragraph 3

⁵⁴ WHO Constitution, Article 2, paragraphs c and d.

The second type of technical assistance provided by UN agencies relates to the delivery of services supporting the normative functions of UN agencies. This applies mainly to the technical agencies (i.e. WHO, FAO, ILO, UNCTAD, UNIDO etc.) that have a mandate to develop international standards, guidelines, rules and regulations in their respective sectors. The UN funds (UNDP, UNICEF, UNFPA) have more limited normative mandates, are mainly concerned with operational work.

Normative functions of UN agencies are related to provision of global public goods (and in some cases regional public goods⁵⁵) and cover a range of activities, such as data collection, bringing together knowledge and expertise, negotiation between member states, drafting international and agreements and ensuring their implementation and enforcement. There is an important role for UN agencies in supporting the implementation of global norms at the national level. There is often a need to supply TA to governments to ensure that global norms are translated into national legislation, policy and practice. Another area where technical assistance supports normative functions is the field testing of new approaches (pilot projects) in order to support the further development of global norms. Staff of UN agencies, who were interviewed for this study, frequently argued that normative functions and technical assistance are complementary and inseparable (some examples are shown in box x).

Box A1 – Examples of technical assistance in support of normative functions

In 1995 FAO member countries adopted the Code of Conduct for Responsible Fishing. This is a voluntary, non-binding, soft law instrument that provides a set of principles and standards for sustainable fishing. In order to promote the implementation of the code at the national and regional levels, FAO has launched a support programme known as FishCode that includes technical assistance for statistics gathering, monitoring control and surveillance of fish stocks, policy development, improved fisheries management, and responsible post harvest practices and trade. The code is an evolving instrument that should be adapted to changes in the fishing sector. Several FAO field programmes serve as a testing ground to enable further development of the code. One example is the DFID funded Sustainable Fisheries Livelihoods Programme covering West African countries.

WHO develops medical guidelines on the basis of a close connection between its operational and normative work. A four stage cycle is usually adopted: (i) global research on health issues commissioned by WHO, (ii) development of guidelines, tools and best practices, (iii) technical assistance to support the early implementation of new approaches managed by WHO regional and country offices, and (iv) evaluation. The results of evaluation feed back into further research and the improvement of guidelines. Technical assistance in support of small-scale pilot projects and medical trials is an essential part of this normative work, which has led to the development of many widely used treatment guidelines, such as WHO/UNICEF “Integrated Management of Childhood Illness”.

Where technical assistance is closely linked to normative functions, it may not be appropriate to leave provision to market-based and demand-driven approaches. In many cases such technical assistance could be considered to be part of a global public good - hence governments may not have sufficient incentives to purchase TA on their own account. International arrangements for the delivery of technical assistance are required.

⁵⁵ Many normative programmes are largely implemented through regional arrangements. For example, FAO supports regional projects for the implementation of the Code of Conduct for Responsible Fishing and for the control of cross border crop pests and animal diseases.

Care must be taken, however, in using global public goods arguments to justify UN provision of technical assistance. In some cases individual governments may have sufficient incentives to purchase TA on their own account in order to implement global agreements. For example, individual countries have a strong interest in complying with WTO rules, and would probably be willing to fund WTO-related technical assistance using their own resources. However, in other cases the incentives faced by governments may be less strong. For example, individual countries may have limited incentives to purchase scientific services for the collection of epidemiological data when most of the impact of epidemics may be felt abroad. The difference lies in whether the benefits of technical assistance are exclusive to one country or whether they are shared between countries. There is therefore a need for case-by-case consideration of the appropriate mode of delivery for technical assistance. Even where it is determined that technical assistance should be provided through international arrangements, it should not be taken as given that the UN is the most appropriate and cost-effective provider.

Strengths and Weaknesses of UN Agencies in Delivering Technical Assistance

The preceding arguments suggest that there is an important role for UN technical agencies to deliver TA where this is essential to fulfil their normative functions. The ability to link normative and operational roles is an important strength of UN agencies as providers of technical assistance. However, there is a tendency for UN technical agencies to attempt to justify nearly all of their programmes in terms of complementarity between normative and operational roles. The cases where this argument strictly applies is probably limited to less than half of UN technical assistance programmes. Many TA programmes delivered by UN agencies have little connection to their normative functions. For example, FAO's role in preparing agricultural investment project proposals (Investment Centre) and UNCTAD's role in supporting the development of trade infrastructure. One of the strengths of UN agencies as providers of technical assistance is their widely perceived neutrality and legitimacy. Their intergovernmental decision making structure creates a wide sense of ownership amongst member countries. Because they are widely trusted, UN agencies are able to play the role of an honest broker in politically sensitive areas. Technical assistance mobilised by UN agencies may be perceived as being more impartial than TA delivered by other providers. UN staff suggested that developing countries look to their agencies to provide an alternative to the 'Washington Consensus' and conditionality attached to the Bretton Woods Institutions. In addition, UN agencies may appear more neutral than bilateral agencies, who may be perceived to be acting in their own national interest. For example, bilateral donors provide TA to support developing countries' WTO negotiating strategies. In some cases it is alleged that this has been used as an instrument to influence negotiating strategies in favour of the donor country.⁵⁶

A particular advantage of UN agencies in delivering technical assistance is their global reach, and ability to draw on extensive networks of expertise. Because their aid is untied

⁵⁶ Lecomte, S and Bernard, H., (2002), *Capacity Building and Technical Assistance to Developing Countries: A New Agenda?*, ECDFM

they are able to source technical assistance from any member country. UN agencies have been able to make very extensive use of developing country consultants, in particular through the Technical Cooperation from Developing Countries (TCDC) programme. Other innovative programmes mobilising developing country consultants at low cost include the TOKTEN programme that contracts émigré volunteers to provide services to their country of origin, and the UN Volunteers scheme, which includes a large number of developing country participants.

UN agencies have a unique convening power to bring member countries together in global fora, to assemble knowledge on good practice, and to establish global networks of expertise. An important advantage of technical assistance delivered by UN agencies is their ability to apply lessons learned in one country to other countries. As important centres of knowledge and expertise UN agencies have the potential to play a strong role in coordinating and ensuring the quality of technical assistance supplied by other providers. UN agencies have a demonstrated ability to respond to humanitarian emergencies. A considerable amount of technical assistance is provided in the context of emergencies to support relief and rehabilitation operations and policies. Although some developing countries have the capacity to manage emergencies and related technical assistance on their own, in many cases government capacity has been seriously weakened by prolonged conflict. In the latter situation the delivery of assistance, including TA, is best managed by international organisations. UN agencies working in partnership with other humanitarian organisations have proven to be relatively effective operators.

While there are some advantages to UN provision of technical assistance, there are also many weaknesses that arise from well-known problems within the UN system. There is a lack of coherence in technical assistance provided by different UN agencies that results from institutional overlap, duplication and poor coordination within the UN system. There has been a process of mission creep as UN agencies seek to extend beyond their original mandates in order to respond to changing situations and demands. Donor funding practices have contributed to this situation. Pressures on core-funding and the rise of earmarked extra-budgetary contributions have led to a situation where UN agency programmes are increasingly driven by the short-term demands of bilateral donors rather than a coherent strategic framework.⁵⁷

UN agencies typically operate complex portfolios consisting of a large number of relatively small projects. Consequently, technical assistance resources are spread too widely and too thinly to achieve much impact. It is often suggested that project proliferation arises from the intergovernmental structure of UN agencies, which creates pressures to offer something for everyone, and makes it difficult to cut redundant programmes. Project and TA management inevitably ties up financial and human resources and detracts from core normative functions. In some agencies there has been intense debate about the appropriate role and focus of the organisation. The main issues relating to FAO are summarised in box A1.

Box A2 – A Focus for FAO?

⁵⁷ Bezanson, K. and Sagasti, F. (2002) *Perceptions and Perspectives on Overlap and Duplication in the United Nations Development System Specialised Agencies*, Institute of Development Studies, June 2002

There is an active debate within FAO and its main funders on the appropriate role of the organisation. There is a concern that focus has been lost as the project portfolio has expanded to cover a great variety of issues related to agriculture, forestry and fisheries. This is indicated by the 2002 and 2003 programme budget that lists 274 budget items. These activities are relatively small in financial terms. FAO's annual budget is around \$380 million per year, a small percentage of total aid resources allocated to the agricultural sector.

A significant portion of staff time is tied up with managing FAO's complex field programme, much of which is technical assistance. A key issue is whether all of these activities need to be provided by a UN organisation. There are numerous other providers of technical assistance in the agricultural sector, who play a more significant role, in particular the CGIAR organisations, bilateral donors and private companies. For many types of TA there is little to distinguish FAO from other suppliers.

FAO has substantial normative responsibilities. In particular, it is the main global body responsible for collecting and disseminating agricultural statistics, preparing, negotiating and concluding international agreements on agriculture, and developing norms and standards. It is responsible for numerous international conventions, such as the Codex Alimentarius on food standards, the International Plant Protection Convention and the International Treaty on Plant Genetic Resources for Food and Agriculture. While FAO carries out important normative work, there are some critical areas of weakness. For example, much of the statistics on agriculture, fisheries and forestry collected by developing countries is of poor quality. There is an urgent need to expand resources available for food standards work in order to address changing market access conditions for poor producers. Finally, FAO is relatively inactive in the field of developing global rules for modern biotechnology and genetically modified organisms. All of these areas would require technical assistance to support normative work.

In an era of severe resource constraints there is an urgent need for FAO to prioritise its activities around its comparative advantage. This requires greater focus on normative work related to global public goods provision, and fewer field programme activities that could better be provided by other development organisations or left to the market. There are signs that this trend is already occurring. The non-emergency field programme has declined significantly in recent years. There are significant implications for the provision of technical assistance by FAO. While some TA programmes would become redundant, FAO could make a strong case for strengthening TA in areas that are closely support its normative work.

Sources:

Thomson, A., Kydd, J. and Williams, G. (2002) *Meeting 21st Century Challenges? International Architecture in Areas of Food, Agriculture, Natural Resources and Environment*, Oxford Policy Management

Kydd, J. (2001) *FAO in the 21st Century*

UN agencies have high cost structures that result from complex decision-making and administrative procedures, multilingual working and high salaries. The cost of technical assistance provided by UN agencies is therefore higher than other providers, including private consulting firms. While the costs are usually absorbed by UN agencies, it is reported that in cases where developing countries procure UN technical assistance using their own funds, daily rates are significantly higher than those offered by the private sector. In this context, UN agencies are facing increasing competition from private sector and

non-profit suppliers of technical assistance. For example, the WHO Roll Back Malaria programme operates alongside at least six alternative providers of technical assistance.⁵⁸ While the perceived neutrality and legitimacy of the UN system can often be considered to be a strength of UN agencies in providing technical assistance, in some situations it is also a weakness. UN agencies often show a marked reluctance to adopt strong policy positions and reform agendas in their interactions with national governments. There is a tendency to avoid criticism of member countries, and to focus on technical issues rather than sensitive policy and governance issues.

A distinct characteristic of UN agencies is that they are both funders and providers of technical assistance. They are able to mobilise donor funding for technical assistance programmes from core and extra-budgetary resources, and have the choice of supplying this assistance using their own staff or contracted consultants. This combination of funding and supply functions provides UN agencies with considerable flexibility. However, it also allows UN agencies to subsidise some of the costs of TA, distorts competition, provides limited incentives to ensure quality, and creates strong vested interests to maintain the present system. Greater separation of TA funding and supply roles within the UN system would be in the interests of competition, efficiency, transparency and quality.

Processes for the Delivery of UN Technical Assistance

Having outlined the key features of technical assistance provided by the UN system, and its strengths and weaknesses, it is worth considering the processes by which the UN delivers technical assistance, and how these compare with the vision for TA presented in this paper.

Identification of demand

All of the UN agencies that were interviewed stressed that their technical assistance is to a large extent driven by demands expressed by member countries. Several explanations were provided:

- UN agencies are membership organisations whose operations are determined by members through ad-hoc requests and regular intergovernmental conferences (e.g. WHO's biennial World Health Assembly). UN agencies have limited freedom to act on their own account, and must respond to demands from members and funders.
- Many UN agencies are decentralising their operations to the regional and country levels where demand can be more easily identified. The operations of UN agencies are increasingly determined at the national level, and are coordinated within country frameworks, such as the Common Country Assessment (CCA), UN Development Assistance Framework (UNDAF) and the PRSP. UNDP already has a decentralised structure, and WHO and FAO are strengthening regional and country based programming. In this aim the WHO Country Focus Initiative is said to be a major priority of the incoming Director General.

⁵⁸ These include the DFID funded Malaria Consortium, the US funded Malaria Action Coalition, the US Centre for Disease Control, The London School of Hygiene, The Liverpool School of Hygiene and the Bill and Melinda Gates Foundation.

- UN technical agencies have close operational and staff connections with line ministries at the national level. For example, there are strong links between WHO and ministries of health, and between FAO and ministries of agriculture.
- There is an increasing trend towards developing country financing of UN programmes, particularly for UNDP programmes in Latin America. The willingness of countries to provide their own funds for UN programmes is a reliable indicator of demand.

While these arguments have some validity, there are several shortcomings in the processes used by UN agencies to identify demand. In many cases requests for TA support are instigated by developing country representatives to UN agencies, who are based in UN capitals, and may be somewhat detached from planning and policy making in their home countries. Their requests for TA may be motivated more by the need to demonstrate their performance in securing UN projects than a detailed assessment of their country's needs. The stated demand for technical assistance is likely to be inflated by member countries, especially where UN agencies provide services at zero or limited cost. In spite of the efforts that have been made to strengthen UN agencies at the country level, many agencies remain rather detached from mainstream national development planning processes, such as Poverty Reduction Strategy Papers (PRSPs) and Sector-wide Approaches (SWAPs). The clear exception is UNDP, which has provided considerable support to PRSP processes. However, staff interviewed in FAO and WHO stated there was rather limited engagement with PRSP processes and the preparation of sector programmes. FAO has a particularly limited footprint at the national level. PRSPs and SWAPs have become the principal framework to assess demand for donor resources, including technical assistance. Some UN technical agencies remain insufficiently engaged with these processes, and continue to view demand from the perspective of headquarters and intergovernmental conferences.

Determining Supply

In several respects TA provided by UN agencies is driven by supply considerations. The following processes were highlighted by UN agency staff:

- The rise of extra-budgetary contributions and the decline of regular budgets has resulted in programmes increasingly being determined by bilateral donors rather than member countries.
- UN agencies directly influence the requests for technical assistance that are put forward by member countries. Requests for technical assistance are often framed by an understanding of what the UN agency can offer. There is a close collaboration between national representatives and UN staff in the drafting of proposals, and negotiation on what is acceptable.
- Funding decisions are often politicised. For example, many funding decisions are taken by WHO regional directors, who are normally elected from the ranks of national health ministers. It was reported that in order to secure election there may be an element of vote buying and patronage that is reflected in subsequent funding decisions.
- For some technical assistance programmes demand may exceed what the UN agency can supply. In this case supply is largely determined by the bureaucratic procedures and political negotiations internal to the UN agency.

- For other technical assistance programmes demand may be more limited. It was reported that many FAO projects have arisen from the salesmanship of the Director-General, who vigorously promotes the organisation while on foreign travel. It is quite common for UN agencies to attempt to drum up demand in this way in order to maintain funding and supply.
- In the case of technical assistance related to normative functions, TA delivery by UN agencies is mostly supply-driven. As argued previously, global public goods theory provides a justification for UN agencies to take a proactive role in these areas.

The above points illustrate that there are numerous processes affecting both supply and demand for technical assistance delivered by UN agencies. It is too simplistic to conceive of technical assistance as being either demand-led or supply-driven. A variety of processes operate on either side of the demand-supply equation, and there are variations between different technical assistance programmes. While technical assistance mobilised by UN agencies has a strong supply-driven element, there are also mechanisms that require UN agencies to respond to demand.

Financing and Procurement of TA Services

There are wide variations in the arrangements for the financing and procurement of technical assistance mobilised by UN agencies. For the technical agencies the majority of technical assistance is financed through the regular budget or extra budgetary contributions, and procured directly by the UN agency. In contrast, the UN funds, and UNDP in particular, have increasingly transferred execution and management responsibilities to national governments, under a mode of delivery known as National Execution (NEX). Since the early 1990s National Execution has become the norm for the delivery of UNDP programmes, and 68% of its resources are now delivered through this modality. Direct Execution (DEX) where UNDP takes charge of project management and procurement is only used in exceptional cases, such as emergencies and post-conflict situations. Developing countries are financing an increasing share of UNDP projects using their own resources. In 2003 over 25% of UNDP resources came from 'programme country cost sharing'.⁵⁹ In Latin America the shift to NEX and self-financing is most advanced, and programme countries now bear nearly all UNDP project costs.⁶⁰ Some other UN agencies are also gradually shifting towards NEX and self financing. For example, FAO implements numerous NEX projects, particularly in Latin America. In addition, self-financing (referred to by FAO as Unilateral Trust Funds) has increased to around 8.5% of operational expenditure. Several examples were cited by FAO staff, including large UTF projects in Nigeria and Brazil, and the decision by the Mozambican Government to use Dutch budget support to contract services from FAO.⁶¹ WHO rarely implements projects under NEX and self-financing modalities. However, projects financed under the Global Fund for Aids, TB and Malaria will largely be managed by beneficiary countries.

⁵⁹ UNDP (2003) *Annual Report: A World of Development Experience*

⁶⁰ Del Castillo, C. (2002) *From technical assistance to development cooperation: UNDP's Latin American Experience in the 1990s*, Paper submitted for the UNDP Reforming Technical Assistance for Capacity Development Initiative

⁶¹ Multi-donor meeting on FAO and the Programme Approach to Development, 5 June 2003, FAO attended as part of the research for this study.

NEX and self-financing modalities conform closely to the vision for technical assistance presented in this paper. The aim has been to transfer responsibilities for project management and TA procurement to government, to integrate project resources into national budgets, and to incorporate projects into normal government operations. It is important to stress that UN agencies often continue to play a role by providing project management and TA procurement services. However, their status has been transformed from that of a funder and supplier, to a service provider contracted by government under specific terms of reference. National Execution modalities vary between countries, and are explained in more detail in box x.

Evaluations suggest that National Execution is a relatively efficient aid modality that has significantly enhanced national ownership without compromising the quality of projects or accountability for donor funds. A significant result has been to increase the use of expertise available nationally and regionally while reducing reliance on international consultants.⁶²

Box A3 – National Execution (NEX)

Under National Execution governments are responsible for the execution of projects. The executing agency (usually a line ministry) is in charge of directing the overall strategy for the project and for ensuring implementation and results. Executing agencies usually appoint an implementing agency to provide project management and procurement services. This may be a government department, private company, NGO or UN agency. In practice, UNDP Country Offices are usually called on to work in this capacity. UNDP acts as a project management and procurement agency providing technical assistance and other goods and services using its own procedures and networks. The difference to Direct Execution is that UNDP works under contract to government as a service provider under strict terms of reference.

Under National Execution governments have a free choice of implementing agencies. It is reported that they frequently chose UNDP because of its perceived neutrality, strong reputation, well established global networks, efficient procurement, and as a means to access advisory services provided by UNDP staff to support project preparation and implementation.

Funding for NEX projects may come from a variety of sources: UNDP, the government itself, or other funders, such as bilateral donors and development banks.

Sources:

Del Castillo, C. (2002) *From technical assistance to development cooperation: UNDP's Latin American Experience in the 1990s*

UNDP (1995) *National Execution: Promises and Challenges*, Office of Evaluation and Strategic Planning, UNDP.

Although National Execution is clearly an important instrument to introduce more demand-led and country-owned modes of delivery for technical assistance, it is doubtful that UNDP's present role is sustainable in the long term. UNDP is presently acting as a quasi-government agency compensating for capacity gaps in project management and procurement. With few funds of its own, its advantage over other service providers is somewhat tenuous. Governments will increasingly be in a position to contract other service providers (e.g. management consultancies) or to develop these capacities within their civil services. UNDP's role as a service provider to governments may be a

⁶² UNDP (1995) *National Execution: Promises and Challenges*, Office of Evaluation and Strategic Planning, UNDP

transitional arrangement that will disappear as relationships become increasingly tested by the market and governments strengthen their own capacity. UNDP appears to be supporting this transition. Staff that were interviewed for this study emphasised the increasing role of UNDP in developing governments' capacity to formulate and implement development strategies and programmes.

Implications for the UN System of the Vision for Technical Assistance

This review has described several examples of initiatives by UN agencies that have brought their provision of technical assistance more closely in line with the vision presented in this paper. In some respects the policies of UN agencies relating to TA are superior to those of the large bilateral donors. Notable examples of good practice include the shift towards National Execution, the increasing use of local and developing country consultants, the absence of tied aid and mechanisms for ensuring the accountability of UN agencies to their members. UNDP has emerged as a policy leader. It has promoted wide debate on TA issues in the context of the Reforming Technical Cooperation for Capacity Development initiative. In addition, its shift to National Execution provides a useful model of on-budget, country-owned and demand-led technical assistance.

In spite of these achievements, technical assistance provided by UN agencies falls short of the vision presented in this paper. Many forms of TA are still overly supply-driven. Needs assessment is often inadequately linked to mainstream development frameworks, such as PRSPs and SWAPs. Funding decisions are heavily influenced by bureaucratic and political processes internal to UN agencies. The links between normative and operational work are often unclear, and are used to justify many types of supply-driven TA. As both funders and suppliers of technical assistance, UN agencies can cross-subsidise their operations and distort competition to a certain extent. UN agencies do not operate in the market because they are not permitted to bid against other service providers to secure TA contracts. In general, technical assistance provided by UN agencies is still far removed from a market-based model where developing countries would procure services according to their own requirements and using their own systems.

The vision for technical assistance presented in this paper would imply far-reaching changes in the delivery of TA by UN agencies. In most cases funding for TA programmes would be transferred from UN budgets to developing countries, who would be free to purchase services from any provider. UN agencies could continue to offer their services, but only in competition with other providers under conditions of competitive tendering. Although the role of UN agencies in providing technical assistance would probably decline under free market conditions, UN agencies may be able to compete successfully in certain areas where they possess certain advantages, such as their experience, global reach, access to international networks, strong reputation and perceived neutrality. Great care would have to be taken to ensure a level playing field between UN agencies and alternative service providers in order to prevent UN agencies using their core funding to subsidise TA work. For example, UNDP's success in establishing itself as a service provider for Nationally Executed projects may be largely due to competencies that have been developed through numerous programmes funded using regular budget resources. The main exception to the principle of market-based provision of technical assistance is the case of regional and global public goods. UN agencies should continue to provide specific forms of technical assistance on a supply-driven basis in order to fulfil their

normative mandates. This would include TA to support the translation of global norms into national legislation, policies and practices, and TA related to the field testing of new normative approaches. Such operations would have to be justified on a case-by-case basis in order to guard against the tendency for mission creep.

There are other situations where markets for expertise and advisory services may fail, and a continued UN role in providing supply-driven TA may be warranted. There is a justification for UN intervention in failed states, post-conflict environments and humanitarian emergencies in countries where the government's capacity to respond is limited.

The implications of the vision for technical assistance are challenging, and would certainly generate considerable opposition from various interest groups. Developing country members have in the past tended to oppose any cuts in UN budgets and programmes that they have regarded as their entitlement. UN agency staff closely involved in the management of technical assistance programmes may also perceive this vision for technical assistance as a threat and unwelcome change to their career paths. Consulting companies that have structured their operations around existing modes of delivery of UN technical assistance could form a third lobby group opposed to change.

UN staff who were interviewed as part of this study voiced divergent opinions on the merits of market-based TA. Many were concerned that market based approaches would make it impossible for UN agencies to maintain lasting partnerships with governments and to ensure coherent country programming. It was frequently stressed that UN agencies should not attempt to function as a consulting company, and should not lose sight of their broader development mandates.

However, other interviewees were more comfortable with the principle of market-based technical assistance. There was a widespread acceptance that international markets in advisory services are developing rapidly, and that there are many alternative service providers to UN agencies. Increasing competition was sometimes seen as a constructive process that could help UN agencies to refocus their activities on core priorities, especially normative work. One respondent stated succinctly that "the main point about market-based TA is that it will force UN agencies to do what they are supposed to do."

Introducing the market to the provision of TA should be viewed positively as an important test of the relevance and validity of UN programmes.

It is probably unrealistic to expect rapid and radical change in the delivery of technical assistance by UN agencies. However, there are relatively good prospects for at least partial implementation of some of the principles set out in this vision. It is probable that reforms will continue in an incremental and progressive fashion. There are several reasons to support this expectation. First, UN agencies have already introduced significant changes in their provision of technical assistance, and are leading the international debate on further reform. Second, there is a vigorous debate on the appropriate roles of UN agencies, and an increasing focus on normative and global public goods functions. Third, these changes are increasingly driven by budgetary pressures, which force UN agencies to focus on core programmes. Fourth, UN agencies will increasingly be exposed to competition as alternative service providers enter the market. Fifth, broader reforms in aid management, in particular the advent of PRSPs, SWAPs, and the increasing use of general budget support, will act to increase government ownership of aid programmes and provide them with resources to purchase TA according to their own requirements. Finally, governments are developing their capacity to procure and manage TA, and will become less reliant on UN agencies for these services.

Annex B: Procurement Principles – Their Application to TA for Development

Introduction

Where Technical Assistance is not provided directly by donor government officials, its provision is inevitably subject to public procurement procedures. These procedures will reflect either the donor or the host government's procurement policy and practice.

The market for a lot government procurement is inevitably imperfect - the government is either effectively a monopsonist and where it is not, the purchaser is not subject to market risk in its raising of finance. Similarly, the supply side may be characterised by market segmentation, oligopoly or forms of price control.

Moreover, individual governments' approach towards public purchasing reflect their broad economic policy, most specifically as a supply side measure. In this context, it may be used to promote:

- domestic firms through "buy national" policies, e.g. restricting works projects to national suppliers;
- specific sectors of the economy by skewing purchasing to particular industries or even firms, e.g. road rather than rail;
- particular policies, for example encouraging e-commerce by example;
- development of particular regions, social groups or size of firms through preference schemes;
- a competitive supply side by introducing rules intended to promote competition for government contracts, to achieve value for taxpayers' money.

In market economies, most, but not all public purchasing laws, rules and regimes are generally based on the last objective – value for money and overall economic efficiency through rules intended to promote competition. However, in practice, few regimes comply with this principle. For example, the Plurilateral Government Procurement Agreement under the WTO excludes from the ambit of its rules, purchasing from certain sectors or by certain public bodies or for certain purposes. Certain governments use this exclusion to apply buy national or preferential schemes. Development assistance is the most notable exception, most obviously by allowing signatories to tie aid.⁶³

Governments can also use the procurement of technical assistance to promote particular policies, both through the fields in which they decide to provide technical assistance and through the specifics of their procurement procedures, whether through specifications, e.g. specifying the policies to be promoted, or through the selection of the service providers, choosing those with known policy approaches.

Policy issues arise at all stages of the procurement process:

- (ii) Identification of need
- (iii) Specification of thing to be purchased

⁶³ Individual signatories are, of course, free not to tie aid but they are not compelled to untie.

- (iv) Tendering and selection procedures
- (v) Contracting procedure
- (vi) Evaluation

This annex sets out procurement considerations under the following assumptions:

- Technical Assistance, funded by donors, is provided against the background of broad agreement with the host government's development strategy;
- specification of TA should be "demand driven", ie required by the host government to fulfil its development objectives;
- specific TA will be provided on the basis of competition and value for money;

Identification of Need

Any procurement decision must be based on need defined by the context in which it is to be used. Thus, the basic principle is that the identification of technical assistance should be grounded in the country's development strategy, which would, inter alia, identify the respective roles of the public and private sector.

This will require an analysis of the role of the public sector in terms of the extent to which it had the following functions:

- basic governance, policy formulation, national budget, relationship between the executive, legislature and judiciary;
- purely regulatory function
- market intervention:
 - (a) support to the private sector - subsidies, grants, loans
 - (b) direct service provision ranging from defence, tax collection, public law-making through social services e.g. health to private sector advisory services

There is no "right" solution for all time for all economies. It can be assumed that most donors would be interested in providing assistance to countries in the process of shifting to a market-driven economy or in making their market driven economy more effective in providing the growth and services required by society. The objective would be to identify the assistance necessary to achieve this change. But there could be no universal prescription.

In principle, the need for donors help should be developed by the country to be assisted. However, it is likely that the greater the need for change the greater the need for assistance in the identification of requirements with sufficient precision to ensure that the right kind of assistance is provided.

The position of a country on the spectrum from a centrally-controlled to a minimally-regulated market economy will determine the nature of assistance to be required. In certain cases, it may simply be a matter of filling a very specialised short term gap in t expertise for example basic mineral exploration.(before the task is left to the private sector The way in which such assistance is to be provided , long or short term will depend on circumstances.

However, countries in transition either from centrally controlled economies or “civil war” are likely to need longer term “in house” capacity building. This is unlikely to be simply a matter of staff training, or provision of blue prints or the provision of manuals for operating proposed systems. Nor is it simply a matter of training the trainers. Long term in house support may be needed to build an work with the host government in operating administrative – policy and executive – systems which can be sustained by domestic staff. It is not simply a matter of imparting the knowledge of what to do but how to do it in practice

All this means that a lot of effort needs to be devoted to the analysis of development strategies to:

- translate the strategy into specific sector activities
- identify the physical and financial resources need to do so
- identifying which are best provided by:
 - the recruitment of public sector staff – contracts of employment;
 - acquisition of services – procurement contracts

Specification of Services to be Purchased

The first stage in any procurement process is the identification of need, as the basis on which to specify the good or service⁶⁴ to be purchased. There are two broad categories of procurement specification:

- functional: what is to be achieved or the output of the good or service
- technical : specification in terms of physical characteristics, qualifications activities to be carried out etc.

In theory, it is most efficient to start with a functional specification, for example defining the output to be achieved by a power plant both in terms of power and environmental impact rather than specifying turbines of a specific size driven by a specific fuel.

In practice, it is technical specifications are more common, and this is appropriate where the good or service is relatively simple, or in practice technically defined by the need for example with spares or extensions to a system such as screws, additional PCs etc. But even for the purchase of relatively simple items such as hospital supplies, based on presumptions of outdated technology e.g. continuing to buy cotton bed linen and laundry equipment when there may be more efficient paper products.⁶⁵

Functional specifications are particularly appropriate to the procurement of services where the focus should be on definition of the job to be done and its outputs rather than specification of qualifications, experience and tasks to be carried out. These factors cannot of course be ignored and although the focus should be on the outputs of the service, both the specification of the service required and the criteria used in the evaluation will be at least partly based on inputs such as personnel and intermediate outputs such as system design, training courses etc. However, evaluation of bids is

⁶⁴ A “works project” straddles the two.

⁶⁵ NHS in 1960s

unlikely to be a paper exercise and discussion /negotiation with bidders more likely to be more effective in selecting suppliers capable of delivering the outputs.

The concept of “design and build”, originally developed in the context of major, innovative works projects, is particularly relevant to service projects, for example assistance with budgeting systems. A high proportion of the services required to implement development strategies will involve design and operation of administrative systems for policy making and implementation with the ultimate objective or output being the establishment of a sustainable bureaucratic process. The design and implementation involves a large element of learning by doing: designs may be modified as difficulties of implementation are identified, an understanding of the detailed interpretation of the objectives/intended outputs underlying the design will influence implementation and ensure that modification of the design does not conflict with the objectives.

Procurement Procedure

Different procurement procedures are appropriate to different types of need and functional specification. The internationally accepted procedures are:

- open procedure
- restricted procedures
- negotiated procedures

The two latter may be combined with the concept of pre-qualification, ie lists of potential bidders drawn up under preliminary procedures. Variants on each of test procedures are allowed under the Government Procurement Agreement and the form the basis of the EU procurement directives.

Open Procedures

The open procedure is most appropriate to procurement of simple physical goods which can be clearly and unambiguously specified. The EU Directives allow for call down contracts under which there is no obligation to purchase a specified amount but under which the purchasers may call down further supplies without going out to tender. Framework agreements are a similar arrangement without any contractual arrangement. The legal obligations depend on national contract law. From the procurement perspective what matters is that the initial contract or agreement has been entered into under conditions of competition.

Restricted Procedures

Restricted procedures apply when it would be burdensome on both purchaser and suppliers to going out to full open tendering. This is generally because the goods or services to be purchased are complex. Competition is maintained by:

- explicitly stating the tendering process in the invitation to tender
- a two stage process in which potential tenders are asked to submit information to help the purchaser select those from whom it wishes to invite to tender;

- negotiation over the good or service to be purchased is *not* allowed.

Negotiated Procedures

There are special procedures intended to allow for negotiation when the goods or services to be provided are so complex or technically advanced that they cannot be precisely specified. Competition is maintained in procurement process by:

- explicitly stating in the tender notice that negotiation is to be used;
- inviting potential suppliers to submit information to help the purchaser select those from whom it wishes to invite to tender;
- inviting tenders from usually three or more potential suppliers;
- inviting each tender to negotiations over the specification of the good or service to be provided;
- revising specifications
- giving each of the three or more tenders suppliers the same information on revisions to the specification.

Other Procedures

Most procurement systems allow for further information gathering intended to improve the transparency of the procurement process, and thus improve the level of competition in the market.

Pre-qualification

Notices may be published inviting potential suppliers to pre-qualify for particular types of service. Purchasers may then invite potential suppliers to tender under the restricted or negotiated procedures from draw potential suppliers from the pre-qualified list. This provides market information to purchasers and can reduce the time taken for competition over individual contracts.

Pre-Indicative Notices

Pre indicative notices are published on a regular basis, indicating intention to advertise invitations to tender up to certain values, for specific goods and services⁶⁶. These notices are intended to help potential suppliers monitor the market and plan their activities, ensuring sufficient competitors for individual invitations to tender.

Tender Award Notices

Many procurement systems also require both the publication of tender award notices, and debriefing of all tenderers. In principle, the tender award notice should indicate not only who won the contract but at what price.

⁶⁶ usually classified according to standard industrial classification, with additional digits to identify highly specialised products.

Selection Criteria

The objective of such procedures is to

- achieve value for money
- under conditions of competition
- at least administrative cost.

The value for money criterion is based on the extent to which the purchasing need is met relative to cost. It does not mean buying the cheapest or the technically optimum. There are no generally prescribed procedures on how to measure value for money, but it is generally regarded as a matter of considering technical criteria and price together.

Application of Standard Procedures to the Procurement of Services

In general procurement experts would argue that the procurement of technically complex, particularly intellectual services is best handled using the negotiated procedure with pre-qualification. This allows the purchaser to meet his objectives by drawing on the expertise available in the market, at minimum cost

Contracting Procedure

In principle the contracting procedure - stage payments, output related payments etc - should also be closely tied to the assessment of need and product specification. Payment on delivery is most appropriate for simple goods, more complex criteria for works and services. For long term TA the contract may be closer to a contract of employment than to a contract for service delivery.

Evaluation

Evaluation occurs at all stages of the procurement process but is also a stage in itself. During the term of the contract, evaluation should be part of the payment procedure and is focused on the supplier. However, an evaluation process is essential at the end of the contract as an internal management tool, tracking back to the initial assessment of need and to final service delivery.

Annex C: The Future of External TA-Linked Assistance in India⁶⁷

Introduction

Technical Assistance (TA) has played a declining role in India's development in the last decade, with the steady decline in importance and leverage of external assistance since the mid-1960s. The early 1990s, marked by a serious fiscal and balance of payments crisis saw a burst of Aid-linked TA in India in support of economic reform and public sector restructuring.

This was soon overshadowed by the input of private sector-led due diligence and consultancy support to both Foreign Institutional Investors (FIIs) and Direct Foreign Investment (DFI). India continues to be a less preferred investment destination than East Asian countries like China. Nevertheless, the global trend of DFI & FDI in emerging markets being larger than external assistance also largely holds in India.

The sheer size of India's economy (fourth globally in PPP terms), its diversity and the relative maturity of its financial, manufacturing and services sectors has led to the development of a medium size consultancy and advisory market by the late 1990s. This is populated by a mix of state-owned and private sector national and international firms. Except for niche areas, which are either, underdeveloped or restricted to international entry by law (e.g. legal services) the domestic TA market is relatively well developed, competitive and has strategic depth. This has been the arena of increasing competition between national and international consulting firms, with a transfer of experience and market share from high-cost structure international firms to more cost-effective local subsidiaries and in-country agencies.

India is now attempting to provide TA services to LDCs in Asia and Africa. This is being provided fillip by the ongoing shift in India's external Aid policy and steady growth in an externally focused service sector. India TA providers have a few comparative advantages: moderate to good technical and IT skills, English proficiency and cost-effectiveness. This could mark a watershed for India as a net exporter of TA services, building on the track record and experience of India's IT and ITES sectors, apart from its large and very experienced bureaucracy that has considerable in-country and UN experience in addressing challenges of development and poverty.

Economic, External Assistance & DFI Trends (1997-2002)

India's economy and its development sector have experienced considerable change since the start of first generation economic reform in the early 1990s (see Annex A for details). Leading events and processes include:

- Rapid increase in economic growth by the mid-1990s and a subsequent slowdown in due to industrial and drought that effected agricultural production
- Build-up of the largest Forex reserves in independent India's history, now approaching USD 80 billion or 15 months of import cover
- Build-up of the largest food buffer stocks in recent memory which touched over 60 million tones in 2002

⁶⁷ Prepared by Aromar Revi, Taru Leading Edge.

- Significant decline in inflation (from the more common double digit) to less than 5 percent and softening of interest rates to less than 9 percent
- An apparent decline in poverty, with a debate on a change in measurement systems and the impact of reform on the most vulnerable
- Progress in financial sector reforms which lead to buoyancy in the Indian stock markets and considerable inflows of FPI
- Low levels of FDI in spite of the opening up of the Indian economy to international competition and lowering of tariff barriers
- The launching of second generation reform with the divestment of moderate to large public enterprises and slow labour reform

External assistance has been declining steadily as a share of the GDP since the 1960s. It has become almost insignificant at under USD 4 Billion over the last 5 years. Of this, over 90 percent is in the form of loans. The share of TA in overall external assistance is difficult to unbundled but ranges from 10 to 25 percent across various donors. In contrast, there has been a steady inflow of FPI and DFI (except in FY 1999) especially in the high technology, consumer goods, core and financial sectors.

This has led to rapid expansion of the consultancy sector in India focusing on the IT, ITES, EPC, financial and manufacturing sectors. Many major international consulting firms entered India in the early 1990s and now have a moderate to large presence serving the domestic and offshore markets. This has led to the development of a competitive market for TA services, primarily driven by private sector expansion, public sector reform and delicensing and new initiatives in rightsizing government and e-governance.

This has had an impact on the Aid sector, with the availability of a larger internationally benchmarked talent pool and an increasingly competitive market for domestic services. The range of services is diverse ranging from: community development and micro-credit support services provided by professional NGOs; EPC, IT, accounting and advisory services from domestic consultants to strategic, due-diligence and public sector restructuring services from the Indian arms of international consulting firms.

The Indian TA market is therefore maturing rapidly and provides a range of internationally competitive services at a lower cost than most offshore service providers. In addition, Indian diversity sub-continental scale and complexity of cultures and institutions, often gives domestic service providers a distinct operational advantage vis-à-vis international consultants.

Some sectors are currently closed to external service providers due to legal or policy barriers – but are expected to change under the influence of new WTO-related agreements. This includes legal and educational services. The market for both these areas are significant, but the quality and depth of in-country services are below international standards.

Changes in the Aid Environment (1997-2002)

The Government of India, has since the late 1990s come to the realization that External Assistance is relatively marginal to India's overall economic development. This was driven by a series of processes:

- The declining share of aid compared to India's GDP (since the 1960s) and predominance of five major agencies: the IMF (in the early 1990s); World Bank (IDA & IBRD); ADB; Japan and DFID (starting 1999)
- The limited impact of the East Asia crisis on India, largely because of economic controls and an inward looking domestic economy
- The very limited impact of economic and military sanctions imposed on India, following nuclear tests in 1998
- The evacuation of Aid mission staff along with many OECD diplomatic missions from India, following Indo-Pakistan tensions in 2002 – which was perceived to be an over-reaction and hence, set the stage for a re-negotiation of the role of external assistance
- The increasingly conservative geo-political position taken by India post 9-11 - a mix of soft and hard approaches to sub-continental peace and conflict issues; a strong bid for a permanent seat in the UN Security Council, combined with a look-East policy with respect to its neighbours
- India's relatively comfortable Forex reserve (leading to prepayment of a large fraction of India's aid-related public debt) and food security situation which provided fillip to the redefinition of India's Aid policy
- The attempt of many donor agencies (led by the World Bank) to engage with State governments at the sub-national level. This is an attempt to wield influence and in an arena where limited Aid resources may exercise some leverage. This initiative developed simultaneously with a new coalition-era in Indian politics and increasing pressure from below to devolve power from the center.
- The growth of the 'human-rights' and 'good governance' discourse within Aid policy (especially within smaller donors) which is perceived as an irritant to the sovereign functioning of the world's largest democracy

The official Indian Aid policy is not released as yet, but the contours as interpolated from official announcements are broadly as follows:

- Reduce India's dependence on external aid and reworking its relationship with donors by:
 - Prepaying as much of external debt as possible
 - Downsizing India's relationship with small donors who have been requested either to pool their resources with the Gol or directly fund a list of approved NGOs.
 - Maintaining a continuing relationship with large donors: WB, ADB, Japan and DFID with lowered interest in tied aid. Ongoing relationships with the UN agencies (a small fraction of total assistance) to be maintained within a pre-negotiated framework approved by the Gol.
- The re-definition of India's aid priorities within a stronger centrally dominated framework, thereby limiting donor engagements with the states
- Increase the geo-political influence of India's external assistance to LDCs by:
 - restructuring of the debt of most-indebted nations to India
 - Opening new lines of credit to LDCs
 - examining the possibility of establishing an Indian Aid agency to further Indian foreign policy and regional development objectives
 - Sharing India's experience in poverty alleviation and development with other countries

- Developing a market for TA by Indian consultants to open up markets for Indian exports and services to Africa, East and South East Asia
 - Tightening of legal oversight and procedures for foreign financial assistance for NGO
- Given that the bulk of incoming TA to India comes via the multilateral, UN and a few bilateral agencies route - the impact on Aid-linked TA flows could be as follows:
- Strong pressure to route all support through Gol channels, with a reduction of direct flows to public agencies and strict oversight on resource flows to NGOs
 - A pressure to untie external TA within India (taking the lead from DFID) and reduce the offshore/expatriate share of outflows
 - A stronger preference for in-country procurement broadly within the parameters of World Bank and ADB procurement guidelines
 - Some of these preferences will be contested by a few donors especially Japan, USAID and possibly DFID, but for the most the reduced leverage with the Gol would either result in a:
 - reconsideration of their country programmes or
 - adaptation to the changes in Gol policy.

Key Issues in Aid Management in India

External assistance to India is managed by the Department of Economic Affairs (DEA) part of the Ministry of Finance (MoF), Government of India (Gol). The DEA coordinates requests for external assistance from various line ministries in the Gol and States, projectises them and presents them to various external donors for funding based on multilateral/bilateral assistance agreements. It further coordinates and monitors aid flows and manages the external debt that may ensue.

Given the predominance of loans in India's Aid portfolio, a key consideration for the DEA and recipient agencies are the terms of on-lending from the Gol. The DEA provides resources from Externally Aided Projects (EAP) to most states at a loan-grant mix (70:30) after pooling debt and grant inflows, adjusting for medium and long-term debt, marking-up to account for the interest cost of the Gol's sovereign guarantee on debt, Forex risk cover and administrative charges. Special Category States (SCS) in India's hill and border areas are provided EAP assistance at a (90:10) mix.

The resulting cost of these resources was attractive to states in the past, when high interest rates prevailed. The steady softening rates over the last three years is now making this less attractive as internal Indian market borrowings can be raised competitively effectively on tap, without the delays and transaction costs associated with EAPs.

Nevertheless, since the burden of repayment in last recourse is with the Gol – aid still remains an important fiscal stress release option for many cash starved states. The introduction of Budgetary support (by DFID) and state-level Structural Adjustment Loans (SAL) (by the World Bank) are relatively new innovations in Aid financing in India. The overall outcome of these instruments is still unclear with states being strongly challenged in meeting conditionalities and the Gol exhibiting greater preference for domestic and international debt markets.

This provides a backdrop against which Indian concerns about Aid-linked TA are situated. These include:

- The high proportion of tied or conditionality-linked Aid (especially from the multilateral agencies, Japan and many OECD countries). Many Indian bureaucrats see TA as an extended 'employment subsidy' by donor governments to their citizens. (DFID is a significant exception, which not only places it on high moral ground, but also as an important resource for the procurement of world-class advisory services. This feature of DFID assistance is however, largely unknown outside DEA.)
- The high cost of expatriate TA in relation to overall EAP costs, value for money and cost of debt. With a competent and highly experienced development bureaucracy in India, consulting fee rates tend to be compared unfavourably with salaries of the Civil servants.
- The rapid growth and increasing maturity of the domestic TA market, with a net outflow of TA in the medium term.
- The perceptions that expatriate consultants are more 'loyal' to the donor than the recipient.
- The improvement in transparency and capacity to procure services in an internationally competitive manner by an increasing number of state governments and GoI departments, implies that they should have a larger role in selection and procurement.

The general trend of GoI practice (as observed by donors) is to seek to:

- Reduce the proportion of TA to maximize direct flow of assistance to partner governments
- Limit the proportion of external TA in terms of value and input
- Displace external TA inputs as much as possible by domestic inputs
- Increase the influence and control of Indian partner agencies on TA providing agencies

While these may be rational given the point of view of the Indian bureaucracy, donor concerns about increased in-country TA procurement cannot be brushed aside. These include:

- Quality, independence and value for money of TA inputs
- Conflict of interest and vitiation of TA advice, due to its potential proximity to Indian decision makers
- Protecting the Aid objectives, interests and influence of donors

Given the decline of influence and leverage of donors in India, the GoI currently has the upper hand in this engagement.

Modes of TA Management

A rapid review of donor programmes in India indicates five basic modes of managing TA resources and their procurement:

- Procurement and TA management by subject specialists and donor staff (favoured by smaller OECD donors)
- Procurement and contract management by a specialised in-house cell (favoured by multilaterals and DFID)
- Outsourced procurement via a contracted managing agency (favoured by smaller donors e.g. AusAID) that could:
 - Function as a managing agency and in-source TA service providers
 - Provide both management support and TA services with a degree of in-sourcing

- Co-financing (favoured by most bilateral donors) in partnership with multilateral agencies and the UN system.

Box C1: DFID India's CaPAS

DFID India established its Contract and Procurement Advice Section (CaPAS) in the late 1990s to help streamline the procurement of services and TA for its revamped country programme in consonance with DFID's new untied aid policy. Within a short span of three years CaPAS has been able to rationalize in-country procurement and bring better value for money to moderately sized (£ 200 million a year) Aid programme. It was enabled by:

- Building a comprehensive database of in-country consultants which was expanded by 'shaking the tree' to enable rationalization of TA costs based on market prices and performance
- Enabling the development of a transparent and competitive 'market' for TA services in-country, even in specialized areas (e.g. power sector reform) with a near monopoly of specific consultancy firms
- Mentoring and supporting the development of in-country TA services on the basis of quality and value for money
- Developing specialized panels of consultants in areas where in-country skills were thin (e.g. governance, sexual health and health management) and providing training and on-line input to develop skills

As a result:

- DFID procurement costs dropped sharply
- The 'market' for services deepened and became more mature
- The share of expatriate TA providers dropped from 90 percent to 60 percent in terms of contractual appointments
- Within this the participation of in-country consultants in off-shore consortia increased dramatically
- Domestic consultant lead consortia began to win and successfully implement internationally competitive bids
- International TA firms started establishing in-country subsidiaries to compete in the DFID and multilateral market
- Some Indian consultants have provided services to DFID's programmes in other parts of the world bringing greater value for money to those programmes, enriching the Indian TA market with international experience and enabling competitive service providers to move up the value chain.

A number of challenges still exist because of gaps in the Indian market in some areas (e.g. public finance, governance, public sector reform, facilitation and public-private partnerships). The natural migration of some high-value consultants up the value chain has also attracted criticism of CaPAS fee schedules in some quarters, as programme staff are denied access to those consultants, although this natural movement provides opportunities for consultants further down the chain.

Box C2: Flexible and Adaptable Arrangements: AusAID's India Programme

Australia assistance is channeled through Managing Contractors outside the budgetary process of partner countries. AusAID staff enable the procurement of TA services and provide oversight, but are not involved the delivery or management of out-sourced services. This institutional frame permits a number of TA procurement and management innovations that are not possible in more conventional organizations.

AusAID's is a small donor in India, with an annual programme commitment of less than \$10 million. This small size has been turned into a strategic advantage by focusing on three small states, developing a single moderately sized bilateral project in the water sector and developing a set of flexible facilities that attempt to respond quickly to the needs of bilateral partners. The AusAID India programme has four components:

- A bilateral programme that is centered around one medium-sized activity to deliver urban water and sanitation services to two capital cities of small mountain states, tied to a regional programme that seeks to build reform and institutional innovation linkages at state, national and South Asia levels.
- The India-Australia Training and Capacity Building Programme (IATCBP): a quick disbursement small grants facility that can respond to partner needs in a flexible manner and supports training and capacity building in-country, in Australia and in third countries
- A NGO small grants programme targeted at civil society organizations and community-based development
- Co-financing via the UN and multilateral agencies to enable effective sourcing in of 'untied' TA to support the first two programme components at low risk and administrative costs

A mix of all these four aid instruments, provides this small donor - visibility, reach, considerable flexibility, the ability to mitigate risk and maintain programme coherence while responding to the multiple needs of its partner agencies.

The downside to AusAID arrangements is its limited leverage of large government development flows, as all AusAID resources flow around conventional government channels. The loss of this leverage is made up in lower transaction costs and more efficient transfer of resources to the locations where they are needed, as well as through strategic partnerships with other donors and the private sector. A high degree of exposure to the risk of underperformance of outsourced TA service providers can also limits the performance of this programme.

- Professional support NGOs

The bulk of the procurement of in-country TA comes from the first cluster of institutions because of their ability to work within a competitive 'market' framework and a strong donor perception of their relative efficiency, quality and value for money.

Universities in India (apart from a few centers of excellence) are seriously challenged in terms of resources and quality of research. Their role in evidence-based policy making has unfortunately declined from a peak somewhere in the mid-1970s. This is one area that

needs strengthening to improve the quality of advice and long-term development outcomes in India.

Government policy development and training institutions have significant potential (and almost exclusive monopoly) to influence new ways of working within the bureaucracy. Unfortunately, most of these institutions are moribund and donor engagement with them has been poor.

With an increase in civil society and independent development initiatives, professional support NGOs have emerged as a new class of development intermediaries. This sector aspires to the financial incentives of private sector consulting firms, but performance is often mixed due to the dominance of a patronage culture, driven by largesse from large government programmes. An engagement with building greater transparency, a culture of performance among a wider and more open 'market' of such providers would pay handsome dividends to donors involved with grass-roots development.

In spite of this wide range of domestic TA service providers, a few critical 'gap' areas, in private and research sector service provision exist:

- Public finance
- Governance, regulation and law
- Education
- Health systems management
- Global environmental management
- International Trade & IPR

A traditional solution would be to increase the supply of international input into these sectors. Public finance advisory services are a case in point. India produces a moderate number of well-trained public finance specialists, the bulk of whom either work within the government or internationally. Hence, the market for independent in-country advice is thin and not very well developed. Strengthening Universities, research institutions and independent think tanks is one solution to addressing this challenge.

Another is enabling government economists to rotate through advisory positions, which is usually an exception. Similarly the education and health sectors have been traditionally 'closed' to external support, which reflects in the domestic market for management services. Development of these sub-markets would benefit not only the donors by the Gol, in terms of improved quality of services and value for investment.

Conclusion

India is poised to be a net exporter of development sector TA services in the next 5-10 years. This will be partially driven by government Aid policy and incentives, a rapidly maturing domestic market and strong comparative advantage in terms of technical, English and IT skills and value for money. Transparency, professional development and quality standards are currently weak areas in the domestic market apart from a few areas in which in-country competence is limited.

A long-term vision for development sector TA in India would include:

- Continuing to open up the 'market' for TA services to domestic competition

- Strengthening public sector training and policy institutions and universities as sources for consulting and advisory support
- Improve quality, professionalism and accountability in the sector through self-regulation and competition
- Using focused internationally-sourced TA in identified 'gap' sectors.

Annex D: Strengthening the Management of Technical Assistance in Uganda⁶⁸

Background

Between 1971 and 1985 Uganda suffered tremendous social, economic and political mismanagement which left the country's economy and society in a dismal state. When the National Resistance Movement (NRM) Government came to power in 1986, its immediate objective was to rehabilitate and develop the country. To achieve this objective the NRM government, with the assistance of the IMF, the World Bank and other multilateral and bilateral donors, implemented a wide range of structural reform programs that have included: the devaluation of the shilling; the liberalization of the markets of most goods and services; a review and promulgation of various laws to streamline the activities of the private sector; the decentralization of Government to the local levels; civil service reform; demobilization of the soldiers; the return of the properties of Ugandan Asians that were expelled by Amin in 1972; the privatization of most public enterprises; and the establishment of a capital market to mobilized long term investment finance. Many of these reforms were required by the donors as loan conditionalities and were supposed to be implemented at a time when the country had limited technical expertise. The effective implementation of most these policies required technical assistance provided by multilateral and bilateral agencies.

Table 2: Technical Assistance Resource Inflows into Uganda since 1989 (USD thousands)

Year	FTA	ITA	Total TA	ODA	TA/ODA%	TA/GDP%	TA/Exports
1989	85,917	9,471	95,388	638,274	15.2	1.89	32.32
1990	143,634	26,240	169,874	658,940	25.0	6.31	88.74
1991	94,942	10,399	105,341	615,315	17.5	2.97	54.26
1992	149,195	22,358	171,553	610,652	67.6	3.95	66.98
1993	179,609	27,261	206,870	556,433	38.1	5.17	79.18
1994	195,370	14,780	210,150	610,449	37.8	2.32	25.19
1995	145,041	15,346	160,387	658,262	26.5	2.93	28.67
1996	190,269	24,568	214,837	681,490	71.4	3.07	25.91
1997	240,356	37,265	277,621	803,550	64.9	4.39	62.85
1998	270,596	37,529	308,125	759,918	72.6	5.12	59.87
1999	230,136	63,112	293,248	756,190	59.8	4.93	65.10

Source: GOU/UNDP, Development Co-operation Reports (1991-1999) & GOU, Background to the Budget Reports, (1991-1999)

Table 2 illustrates that TA resource inflows into Uganda since 1989 have been considerable and have been increasing as a proportion of ODA. The table also shows that TA has largely been of the free standing type (FTA) as compared to that which is investment related (ITA). Most of the TA resources have gone into the education and health sectors (Table 3).

Table 3: Distribution of Technical Cooperation by Sector (%)

⁶⁸ Prepared by Dr Arsene Balihuta, Deputy Director, Makerere University Institute of Economics.

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Agriculture	15.0	24.3	23.5	19.1	10.5	14.3	12.0	10.5	7.3	8.7	6.6
Education	14.7	9.0	8.9	2.2	6.7	3.5	10.5	8.2	6.4	6.5	21.6
Health	34.3	36.3	31.6	20.5	21.0	14.9	19.2	19.6	27.2	26.1	26.4
Public Service	8.8	9.9	11.7	11.8	11.7	17.2	16.2	13.6	13.8	14.8	12.3
Social Infrastructure	1.1	0.8	0.4	23.4	16.8	11.8	8.1	5.3	4.8	7.4	10.4
Others	26.2	19.7	23.9	22.9	33.3	38.2	34.0	42.8	40.5	36.4	22.7

Source: GOU/UNDP, Development Co-operation Reports (1991-1999) & GOU, Background to the Budget Reports, (1991-1999)

Table 4 presents the contributions of the major donor countries to the total TA received by Uganda between 1989 and 1999. In 1989, UNICEF and UNDP contributed the largest portion of TA to Uganda while the smallest contribution originated from Denmark. Subsequently, as the contribution from UNICEF and UNDP have been declining, those from other donors such as Denmark, Sweden, USA and IDA have been increasing steadily. Currently the IDA and the USA are the largest donors to Uganda.

Table 4: Contribution of major donors to TA in Uganda(%)

Donor	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
WFP	8.41	4.72	5.38	0.93	0.85	0.57	0.25	0.16	0.00	0.00	0.00
Germany	5.13	5.46	8.77	6.97	1.45	0.68	5.69	1.03	2.74	1.83	1.07
UNFPA	2.82	3.27	3.48	2.79	1.06	2.28	1.38	1.89	0.97	2.60	1.66
EEC	2.00	4.61	2.58	2.27	2.50	2.09	2.86	2.69	2.77	1.98	2.01
Italy	6.13	9.04	8.39	12.05	7.13	4.23	3.58	3.38	1.26	1.73	2.26
UNDP	10.59	8.09	18.13	13.26	5.53	4.07	4.21	5.61	6.36	3.56	3.52
UK	8.41	1.83	2.90	2.23	4.53	2.40	6.27	4.30	4.30	4.30	5.10
Sweden	0.67	0.24	0.29	0.26	0.54	0.20	0.00	0.61	2.51	5.13	5.57
Denmark	0.00	0.00	0.00	2.32	26.48	15.04	14.66	11.88	8.52	8.26	6.19
UNICEF	10.86	8.88	12.44	14.75	6.67	7.16	9.13	11.79	6.18	6.87	7.24
USA	9.65	19.69	14.65	24.62	19.01	17.56	21.76	19.12	13.26	13.52	16.16
IDA	7.07	7.15	4.56	3.43	10.23	36.12	19.55	26.39	34.87	36.96	29.36

Source: GOU/UNDP, Development Cooperation Reports (1991-1999)

Technical Assistance Modalities and Practices

Various modalities and practices have been used in the implementation of TA in Uganda. These have included: *institutional twinning; foreign experts employed on specific donor projects; equipment brought into the country with technical experts; long term foreign advisors attached to Government Institutions or Ministries; short term foreign experts and consultants; South-South technical experts; short-term training; and scholarships for academic studies abroad.*

Institutional twinning is an arrangement in which an institution in the donor country sends technical experts to a Ministry or another institution in Uganda. Such arrangements may include interns who have come to Uganda to gain experience. In such arrangement the donor may gain as much as Uganda because the intern builds his or her own capacity as some of his her knowledge and skills “rub-off” onto his Ugandan colleagues.

Under the modality where donor countries have insisted on using their own nationals to man the projects regardless of whether local expertise is available in the sector or not, projects have often closed when the experts leave. In such cases there has been duplication and substitution of national capacity in terms of human resources and the experts have largely acted as sentries for the donor country.

At times when Uganda has been given equipment as TA, focus has been centred on the money value of the grant, tending to ignore the quality of expertise that comes with the equipment. In most of these cases, Government has not even been able to insist on having its own qualified personnel to inspect and later handle the equipment. In most cases the experts have also acted as sentries for the donor country during the project implementation.

In cases where long-term advisers have been used, most of these advisers have come to the country accompanying multilateral and bilateral loans and/or grants. For instance

technical advisors have necessarily accompanied World Bank loans to which conditionalities have been attached. Most often these loans have been co-financed by willing bilateral donors. In such cases the bilateral donors have also placed advisors within a Ministry or sector to which the aid was targeted. The primary purpose of the advisors is that the conditionality is implemented as required and that the interests of the donor are well taken care of.

Short-term experts and consultants have usually been employed by donors to start off projects by making feasibility studies for the projects. The World Bank and IMF has been using such consultants in the form of periodic *missions* in order to take stock of the national conditions before the donors commits their resources in terms of Development or Balance of Payments Credits.

South-South technical experts have been mainly used by FAO in implementing its projects. It is understood that such TA modality has been quite effective and relatively cost effective. This is because the South-South experts easily relate to their Ugandan counterparts and their levels of remuneration is not so different from that of the Ugandan counterparts. This reduces ill-feelings among the Ugandans who work with these experts. Some technical assistance has been associated with short-term training courses ranging from half-day workshops to courses running into several months. However, concern has been expressed that some of these workshops may have led to a decline in civil service delivery, arising from some civil servants rushing from one workshop to another, in the hope of collecting workshop allowances.

Various donors have since the colonial period granted scholarships to bright Ugandans for long and short-term training in the donor countries. It has been claimed that this type of TA modality could have been the most effective in capacity development in Uganda, in terms of highly trained human resources.

Regardless of the TA modality, the implementation of TA in Uganda in the early reform period was characterized by:

- i) lack of government TA policy and program that would act as a guideline to the donors regarding government priority sectors that required TA most;
- ii) TA projects most of which were not in the national Rehabilitation and Development Plan and were therefore not reflected in the National Budget;
- iii) Lack of Government involvement in the identification and design of projects and was not therefore able to manage and sustain the projects after the departure of the TA experts;
- iv) considerable reliance on the foreign expert modality of TA delivery;
- v) ambitious and complex TA projects;
- vi) little preparation of TA scopes of work which have been drawn up with inadequate care and thus become unachievable;
- vii) the inconveniences arising from the inclusion of technical experts within projects which in turn has put certain that limits on the long-term impact of the project;
- viii) very high remuneration to foreign experts compared to local personnel salaries, which has been leading to strained relations between the foreign experts and their local counterparts, as well as loss of morale among the local personnel;
- ix) accountability of the TA experts to the donor country from whence their remuneration originates;
- x) the tendency for each donor to be looking out for its long-term national interest or organizational mandate, first and foremost;

- xi) the tendency to require inflated professional requirements for the TA posts thus prohibiting many likely local experts from applying for the TA posts;
- xii) considerable level of lack of transparency in TA projects;
- xiii) complex procurement procedures for some TA multilateral projects;
- xiv) lack of utilization of capacity developed by TA;
- xv) the tendency by some Government officials, when given an opportunity, to build personal benefits into TA projects during the TA projects design stage;
- xvi) lack of coordination both within Government line ministries and competition among donors. It has thus been possible to find two or more donors giving the same TA to one line ministry either each one oblivious to what one was doing or in outright competition with each other. The result of this has been confusion within the line ministries and wastage of resources among the donors as a result of unnecessary duplication;
- xvii) limitation of access to project facilities to expatriate personnel, thus hampering the effectiveness of the local counterpart project staff.

The overall consequence of these issues has been that TA does not seem to have had the impact commensurate with the amount of TA resources that have been flowing into Uganda. In order to remedy this problem, in 1993 the Government of Uganda took the initiative to design technical assistance policy in the country.

Technical Assistance Policy in Uganda

The Policy

In order to deal with the issues related to the implementation of TA projects the Government of Uganda designed a TA policy in 1993.⁶⁹ This policy had the following provisions:

- i) that the design of TA projects should be determined by the needs of Uganda and that these needs should to be primarily identified by the Government of Uganda and should form the basis of the TA projects;
- ii) that the formulation of TA projects is to be undertaken by Government in close collaboration and consultation with donors;
- iii) that all TA resources are to be channelled through the Ministry of Finance and Economic Planning;
- iv) that there is need to prepare both TA policy and program which would act as guide for the country's TA priority requirements;
- v) that there should be an aid management machinery in Government to ensure vertical and horizontal integration and management of TA;
- vi) that donors should remunerate both their expatriate TA staff as well as local staff on TA projects according to "a unified incentive payments scheme" under which the disparity

⁶⁹ See The Republic of Uganda, Uganda's Policy on Technical Assistance, Ministry of Finance and Economic Planning, Kampala, May 1993.

between expatriate technical staff remuneration and that of their local counterparts would be narrowed to some extent;

vii) that donors should pay more attention to using Ugandans experts on TA projects;

In order to ensure that these provisions would be followed and TA would be demand driven, the Government redefined the objectives of TA to be:

- i) the establishment or strengthening public and private institutions capable of implementing Government's development strategy;
- ii) the development of human resources through education and training to produce a skilled labour force to staff and manage public and private institutions and to efficiently utilize both domestic and external resources for the development of the country;
- iii) to assist in reversing the brain drain by offering attractive remuneration to nationals in the diaspora;
- iv) to assist in building of the capacities for planning, executing, monitoring project evaluating projects, carrying out feasibility studies and research and extension;
- v) to assist in the effective and efficient implementation of Government policies and projects as well major investment projects and programmes;
- vi) to assist in the development of indigenous technology as well as the transfer of appropriate technology.

In order to ensure that these new objectives of TA would be achieved the Government:

- i) appealed to the donors to adopt a multi-year programming approach rather than the disjointed project by project approach that had hitherto been used by the donors;
- ii) made provisions that would ensure that all future TA projects would be properly assessed and their costs integrated into the national budget;
- iii) required that all inputs received under TA would be declared to the Ministry of Finance, Planning and Economic Development which would then adjust the Ministry's budget requirements accordingly;
- iv) stipulated that henceforth TA projects would be executed by the Uganda Government;
- v) required that henceforth Government would be involved in the recruitment of long term experts;
- vi) proposed that TA should also be targeted at the building capacity in the private sector;
- vii) established a Technical Cooperation Committee for the horizontal coordination of TA, the clearance of TA experts, the efficient processing of the TA emigration formalities, the overall speed-up of the implementation of TA projects.

In 1997 the Government again drew up a comprehensive Development Plan, the Poverty Eradication Action Plan (PEAP) within which the new TA policies were spelled out as follows:

- i) Ministry of Finance Planning and Economic Development (MFPED) is to co-ordinate all TA needs and resources in Uganda. A Government Standing Committee originally known as the Technical Co-operation Committee and now called the Development Committee (DC) was established to ensure “horizontal co-ordination of TA activities”.
- ii) Technical assistance, like any other input, will be considered as part of Sector Wide Approach (SWAP);
- iii) The use of technical assistance on projects will be scrutinised as part of the DC’s appraisal of proposed projects. The DC will then approve the TA if it considers it the cheapest means of achieving the targeted objectives and contributes to capacity development.
- iv) The sector and particular institution receiving the TA should be involved in the recruitment of the TA expert.
- v) By and large, particularly since the formulation of the Poverty Eradication Action Plan (PEAP) in 1997 and its subsequent revisions, Government will now determine its priorities, including TA needs, within the context of PEAP.
- vi) As stipulated in the partnership principles contained in PEAP volume 3, donors will participate as stakeholders in the setting up of these priorities, like any other stakeholder. These priorities will be constantly refined in important national for a such SWAPs and Consultative Group Meetings.
- vii) The Aid Liaison Department, in consultation with MOPS and MOLG, will manage the allocation of fungible technical assistance in collaboration with donors, the relevant sectors and local governments. This process will be guided by the needs of the sectors and local governments, the capacity of the donors, and any restrictions which donors will impose on the sectoral allocation of their assistance.
- viii) With time, project-executing units, usually referred to as Project Management Units (PMUs) will be phased out.
- ix) As far as possible, TA resources will be reported as contribution towards the overall resource envelop available to Government for development and recurrent expenditure.

The Impact of the Policy

As a response to these policies, TA practices began to change. For example most donors, such as the United Kingdom, Ireland, the Netherlands, Sweden, Norway, Canada, and the European Union are complying with Government TA policy and are channeling increasing levels of their assistance through budget support. As can be seen from the (Table 5) there appears to be an emerging trend of increasing budget support resources on the one hand and declining non-budget support TA on the other hand.

Table 5: Technical Assistance and Budget Support

Year	Total TA (millions US \$)	Budget Support (millions US \$)
1998/99	166.14	31.74
1999/00	104.68	65.10
2000/01	111.07	227.22
2001/02	-	247.48

Source: GOU/UNDP, Development Co-operation Report 2001 & GOU, Background to the Budget Reports, (2000-2003)

There are also indications that technical assistance in terms of long term experts is declining in favor of national experts (Table 5), and that by and large, the use of experts and consultants as TA modality has been declining, particularly after 1997, when the PEAP partnership principles were launched.

Table 6: Technical Cooperation Experts (1993-1999)

YEAR		1993	1994	1995	1996	1997	1998	1999
LONG-TERM EXPERTS								
Foreign		126	70	78	44	34	13	6
National		77	53	60	33	35	25	16
Total		203	123	138	77	69	38	22
SHORT-TERM CONSULTANTS								
International		90	32	44	46	0	0	0
National		48	77	84	108	1	0	0
Total		138	109	128	154	1	0	0

There is also increased discussion between the Government and the donors, particularly at the sector level regarding the need, type and relevance of TC resources and modalities. Progress has been made regarding the recruitment of the short and long term national consultants, particularly where these services are procured using donor resources that have been channeled through budget support. With increasing budget support and with the decentralization of the national tender board towards tender board committees in each of the line ministries, line ministries have become increasingly more involved in procurement under TA projects. The procurement procedures at the line ministry level have incorporated the donors' procurement guidelines and requirements. In other words the procurement requirements and guidelines of the Government of Uganda and those of the budget support donors have been harmonized. There is close cooperation between the line ministries and the donor agencies in procuring TA services, particularly those required from the donor country.

However, at the other extreme end are a few bilateral donors such as Denmark, Japan and the United States who are still resisting to provide TA under the budget support modality.

The main reasons given by some of the donors for resisting change include the following:

- i) laws in the donor country do not allow for direct budget support;

- ii) the Government of Uganda may use the technical and other aid for purposes contrary to donor principles and objectives;
- iii) due to the level of existing corruption, technical and other aid may be abused by the recipient Government officials.

This group of donors therefore continue to use their country specific procurement rules, and procurement of the TA goods and services is necessarily from the donor country. In other words these donors continue to give Uganda tied TA aid. Government is still continuing efforts to discuss the issue with the donors concerned and at the same time to make concerted efforts to improve its performance, particularly in the area of governance. There is therefore great promise for progress as far as TA implementation and effectiveness are concerned.

There is no UN agency that is yet channelling its TA through budget support. UNDP for example supports the government by funding specific projects through the programming approach. FAO provides most of its TA in kind, mainly as food aid or short-term South-South consultants. UNHCR gives its assistance directly to refugees.

Conclusion and Recommendations

Uganda's experience with attempts to strengthen the manage technical assistance suggests that:

- i) whereas TA has been donor driven in Uganda, the Uganda Government has been at the forefront of the efforts to strengthen the management of TA in the country;
- ii) donors will give technical assistance primarily in the long term economic and strategic interests of their countries;
- iii) donors will give technical cooperation in competition with other donors and in most cases in disregard of the recipient country's long term interests;
- iv) although technical assistance may seem to have not fully succeeded according to the stated objectives in the TA project documents, it must be beneficial to the donors in unstated ways, or else the donors would have no incentive to continue giving it;
- v) the recipient country does benefit from TA but will benefit more if "it gets it act together" and establishes institutions to coordinate and manage TA;
- vi) the coordination and management of TA must come from the initiative of the recipient country since donors seem to benefit most when TA is not organized, or else they would take the initiative to bring the recipient country to organize the management of TA;
- vii) whereas TA is clearly demanded by developing countries to fill financial, human, institutional, organizational and technological resource gaps, the supply of TA by the donor countries is shrouded in pronouncements such as "donor country philanthropy towards the poor countries", "global befit", and the "good of mankind". In practice however, what seems to be apparent is that TA is given, particularly by the bilateral donors, primarily for the long term economic interests of their countries.⁷⁰

⁷⁰ There is nothing inherently wrong in donor countries pursuing long term economic interests of their countries. The problem is that most often bilateral donors do not seem to be willing to express this explicitly in dealing with developing countries.

Based on the above observations in the case of Uganda, the following recommendations may be made:

- i) in order to derive the maximum benefit from TA the Government of Uganda should persist in its efforts to strengthen the management of TA;
- ii) while the Government of Uganda strives to strengthen the management of TA, it needs to urgently deal with the issue of corruption and embezzlement in its public service, if it is to benefit maximally from the proposed measures to manage TA;
- iii) since TA appears to be primarily donor driven, the forces behind the supply of TA must be carefully studied and made transparent and explicit before a fully market driven TA can become a reality;
- iv) if donors sincerely believe that TA is primarily aimed at the development of capacity in the recipient countries then they should implement fully the OECD/DAC TC principles which they adopted in principle in the early 1990s.

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Annex E: Trade Related Technical Assistance and Capacity Building

Introduction

This annex examines Trade Related Technical Assistance and Capacity Building (TRTACB) in terms of the concepts discussed in the main report. It builds on direct experience of trade related assistance by the authors over the past eight years and draws on interviews with the WTO and UNCTAD Secretariats, the history of the Integrated Framework, revamped after the failure of the WTO Seattle Ministerial and information derived from Trade Capacity Building Data Base established in support of the Doha Development Agenda.

Objectives and Instruments of Trade Related Technical Assistance and Capacity Building

Trade Related Technical Assistance and Capacity Building, estimated as 11% of all TA⁷¹, exemplifies many of the weaknesses of technical assistance. TA for trade policy and regulations is funded 60:40 from bilateral and multilateral sources, and bilateral financing accounts for two-thirds of trade development activities. The main bilateral providers are US, UK, Japan and Germany, and the main multilateral providers are EC, IDA, ITC and UNCTAD.⁷² As Morgan (2002) argues, the main feature of Technical Assistance as it has developed over the past half century is that it is funded from the Government Budgets of developed countries, rather than from the budgets of the countries receiving the assistance, and thus reflects government regulations, procedures and interests of each supplying country. This is particularly so in the case of TRCB:

The currently high level of reported TRTACB reflects the interests of developed country stakeholders in the role of the multilateral trading system in the process of globalisation. Such interests range from industrial lobbies seeking easier and greater access to developing country markets and of Non-Governmental Organisations, which see such access as detrimental to the living standards of the poor in developing countries, environmental and labour standards.

- Those delivering the assistance, for example the WTO Secretariat, confirm that developing countries often have difficulty in articulating demand.
- As in other fields this has led to a focus on:
 - Easily defined projects such as workshops and strategy reports,
 - A focus on the “transfer” of knowledge through training courses and exchange programmes, thus focussing on individuals rather than the recipient country’s internal systems;

This has resulted in widely disparate views between the developed and developing country partners over the extent and success of TRTACB. For example the Doha Development Agenda Trade Capacity Building Data Base implies that in 2001 23 % of TRCB in the field of trade policy and regulations was devoted to trade and competition, more than any other category. At the beginning of April 2003 UNCTAD ran a well attended conference on Trade and Competition in

⁷¹ Estimate from Baris Zaslavsky, 2001).

⁷² OECD/WTO database: <http://www.tcbdb.wto.org>

Nairobi⁷³. At the end of May 2003⁷⁴, representatives from eastern and central African missions in Geneva⁷⁵ were bemoaning the failure of promised TA to materialise.

Objectives:

The First Joint WTO/OECD Report on Trade Related Technical Assistance and Capacity Building, defined such assistance⁷⁶ as “activities that intend to enhance the ability of the recipient country to:

- formulate and implement a trade development strategy and create an enabling environment for increasing the volume and value-added of exports, diversifying export products and markets and increasing foreign investment to generate jobs and trade; **or**
- stimulate trade by domestic firms and encourage investment in trade-oriented industries; **or**
- participate in and benefit from the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce.”

Consistent with the view of technical assistance as an aid instrument, activities are classified in terms of the specific knowledge to be transferred. The two main categories of assistance are defined as:

- **“Trade policy and regulations** covers support to aid recipients’ effective participation in multilateral trade negotiations, analysis and implementation of multilateral trade agreements, trade policy mainstreaming and technical standards, trade facilitation including tariff structures and customs regimes, support to regional trade arrangements and human resources development in trade.
- **Trade development** covers business development and activities aimed at improving the business climate, access to trade finance, and trade promotion in the productive sectors (agriculture, forestry, fishing, industry, mining, tourism), including at the institutional and enterprise level.”

As the report emphasises: “Assistance to trade policy and regulations is often through training and workshops at low cost, but with a high payback in terms of institutional capacity building. In contrast, general assistance to the business sector and agricultural or industrial trade-related projects is higher in value, but only part of the project may have a direct impact on trading capacity. And infrastructure is “capital intensive” and so high cost.”

⁷³ Attended by 112 people from all over Africa

⁷⁴ Meeting of COMESA Member States to discuss the COMESA Competition law.

⁷⁵ Kenya and Zimbabwe

⁷⁶ For the purposes of data collection,

Thus different types of TA are perceived as serving different objectives, but it is not possible to derive estimates of even the numbers or costs of projects under each of the components in the basic DAC definition of technical assistance.

- grants to nationals of aid recipient countries receiving education or training at home or abroad, and payments to consultants, advisors and similar personnel, and
- costs of teachers and administrators serving in recipient countries (including the cost of associated equipment).

The Report argues that workshops and training course have high paybacks. However, both have been provided for many years bilaterally and multilaterally, and in recent years those provided through the WTO and UNCTAD have increased under the GATT and now the WTO⁷⁷ but there is little evidence that they have achieved the objective of increasing the recipients' capacity to develop a trade policy strategy consistent with their development objectives. There has been spread of knowledge. For example, African awareness of the role of competition policy and law has increased significantly since it was introduced onto the WTO Agenda at the Singapore Ministerial, but they are no nearer to articulating their own strategy in the WTO. The incidence of domestic law has increased, but it is not clear to what extent this has been integrated into national systems rather than sitting on the statute books.

The need for such training has become conventional wisdom. For example, some WTO staff see what they can provide as limited by shortage of WTO staff rather than financial resources. For example the WTO receives about 1400 requests for TA activities each year and are realistically only able to meet about 300. However, WTO staff are not the only or necessarily the best source of training in WTO rules and their relationship to trade policy making: much expertise rests in the Member States – indeed it is they who have the practical experience of translating the rules into national law and in implementing those laws. The rules are designed and developed by the Members on the basis of their own policy. Trade policy is largely a matter of economic theory tempered by political and economic realities. Bilateral donors provide the bulk of TRTACB, for example the EC through Cotonou funds, often in relation to the formation of REPAs and the US through the AGOA programs. The data do not reveal the extent to which such TRTACB is devoted to workshops etc and how much to direct assistance to Trade Ministries and Governments.

Developing countries' needs in the field of TRCB, including WTO rules, arise from their level of development to which thorough understanding of WTO rules may not be relevant. Their development strategy may need to be developed in the context of those rules and they may need assistance in building a development strategy within any constraints imposed by the rules. However in practice, their economic situation is likely to mean that they will have little influence over the negotiations and the best practical strategy may to focus on how best to exploit opportunities, cope with constraints and, crucially, hire in expertise on how to procure the necessary technical advice. COMESA⁷⁸ is a good example of how TA can be used to develop a trade policy and strategy. Long term technical assistance is embedded in the Secretariat working with the staff, who identify needs for TA as part of managing COMESA's political and

⁷⁷ WTO now has an annual budget of 30m Swiss Francs. This has increased from about 1 million since 1995 when WTO was established. The increase has been driven by the Doha commitments where increased funding for trade related TA was a condition for the agreement of developing countries to the new trade round.

⁷⁸ The Common Market for Eastern and Southern Africa.

administrative processes, and using donor funds to purchase the advice they need. The FTA was introduced according to schedule and the move towards a Common External Tariff is on track with

Box E1: Guide to Trade Related Capacity Building Database

Value vs. number of records: Both the value of entries and the number of entries are necessary to provide a comprehensive picture of TRTA/CB. Investment projects are fewer in number but their large scale means they dominate the data by value. The number of records helps to bring out the importance of smaller-scale seminars or training courses that can be key to trade capacity building. A few donors could not provide financial data for all their activities. If such an activity is the only entry in a cell, the value will appear as \$0.

Number of activities vs. number of records: Some donors split individual activities (workshop/project, etc.) to components to provide detailed data on aid allocated to each of the sub-categories of TRTA/CB. Others classified the whole activity under the most relevant sub-category. Japan, the United States and the WTO made a further breakdown of regional activities by splitting amounts between different beneficiary countries. Others simply reported such activities as "regional" or "global" projects and programmes. Thus for some donors the number of records in the cubes is larger than the "real" number of activities.

Data are for new commitments made in the year: A commitment is a firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide assistance for a specified purpose and under specified financial terms and conditions for the benefit of the recipient country or multilateral organisation. The data in the database cover grants and loans.

Time coverage: Data for 2001 are complete. Data for 2002 are partial. The coverage of commitments made in 2002 varies from one donor to another. Some reported all activities committed in and planned for 2002, whereas others covered only the first few months of the year. A few donors could not yet provide any information for 2002.

Funding country/agency and implementing country/agency: Each record has a funding country/agency and an implementing country/agency. For most activities these are the same, but in some cases they are different. In particular, some agencies (e.g. ITC, UNCTAD, UNIDO) implement activities financed by various bilateral and multilateral donors. In consequence, some countries/agencies that did provide data directly (including some developing countries) nevertheless appear as funders of TRTA/CB in the data cubes. The list of countries and agencies that reported data is given in the [report](#).

TRTA/CB Trust Funds: To avoid double-counting, bilateral donors' contributions to multilateral organisations' TRTA/CB trust funds (e.g. JITAP, Integrated Framework and DDAGTF) are not included in the data cubes. Instead the individual activities financed through these trust funds are included.

Trade development - differences in methodology: A number of donors isolated the trade component of each activity, whereas others reported the whole activity marking it trade-related. The total amounts of TRTA/CB per donor in this category should therefore be interpreted with caution. Further work to harmonise donors' reporting will be undertaken in the next data collection in 2003.

initial deadlines. The ultimate objective of a full Customs Union will be achieved according to internal political processes rather in compliance with any theoretical ideal.

Analysis of the Data Base

Tables are included in this report as illustrative of the nature of TRCB rather than as estimates of levels of provision. Box 1 gives a brief description of the nature of the data. The WTO/OECD Report⁷⁹ recognises the difficulties of drawing firm conclusions from the database:

- Donors use different rules for allocating projects to categories and countries
- The concept of funding country/agency and implementing country/agency varies across activities and agencies.

Moreover, searches of the database do not identify some activities which are known to have taken place, for example EC funding of TRCB for COMESA, UNCTAD funding of competition workshops and conferences. These data problems are indicative of the problems of identifying and classifying TRACB rather than errors of data collection. For example, assistance to COMESA is not directly related to the WTO process but to Regional Integration, the amount is substantial but cannot be identified on the database.

Much of the TA provided under the heading "Mainstreaming Trade Policy in PRSPs/Development plans" amounts to ensuring that trade policy is covered by the broad strategy, rather than support in implementing those plans. Implementation may need the kind of workshops etc covered by table 1, or may not as the needs identified are only indirectly related to trade policy – such as the need for a transport infrastructure. The latter may be a far greater priority in the development of the country than courses on WTO rules. This is recognised in the WTO/OECD report and database, which also cover trade, related infrastructure, but where international trade is not the primary aim. Table 7 below shows the "activities" recorded in the database under the broad category of trade policy and regulations. The sub classification is very closely aligned to the WTO agenda,

Reflecting the genesis of the database in those negotiations, it is a mixture of different concepts rather than categories within a concept:

- The first category -Trade mainstreaming in PRSPs/development plans – is an objective of the assistance
- Two -Training in trade negotiation techniques and Trade education/training – are activities themselves
- The rest are issues on the current WTO agenda.

The use of technical assistance to mainstream trade into PRSPs and other development plans is closest to the new vision for technical assistance but more detailed analysis of the data – including individual projects would be needed to evaluate whether the TA was little more than including trade as an engine for growth in the countries economic strategy rather than integrating it into the routine economic planning and deriving the immediate needs for WTO rules from the implementation plan for that strategy. The average cost of each project suggests the former rather than the latter approach.

Table 7 also illustrates the focus of Trade related TA on donor priorities. Assistance on the so-called “new issues” represent a high percentage of total spend - trade and competition (23%), trade facilitation (17 %) trade and environment (8%). These three account for almost 50% of the TA on trade related capacity building. The figure rises to 60% when technical barriers to trade are included. There is a clear donor interest here in defending themselves against the charges on the use of such standards to protect themselves against imports. A breakdown between the TBT and SPS would be useful. The latter is closely related to the current Agricultural negotiations which are of deep interest to the developing countries yet which accounts for only 1% of the total spend on TRCB on Trade Policy and Regulations.

Table 7: Trade Related Capacity Building on Trade Policy and Regulations (2001 Commitments)

	Records	Total spend US\$m	% total	Average spend US\$th
Total	2,284	466		204
Trade mainstreaming in PRSPs/development plans	269	95	20	353
Technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS)	210	58	12	277
Trade facilitation procedures	145	77	17	531
Customs valuation	58	4	1	67
Tariff reforms	3	0	0	29
Regional trade agreements (RTAs)	15	3	1	217
Accession	56	10	2	183
Dispute settlement	125	1	0	6
Trade-related intellectual property rights (TRIPS)	59	9	2	153
Agriculture	72	5	1	65
Services	88	5	1	61
Tariff negotiations – non-agricultural market access	235	8	2	35
Rules	63	1	0	22
Training in trade negotiation techniques	52	3	1	50
Trade and environment	66	37	8	556
Trade and competition	109	108	23	994
Trade and investment	29	13	3	442
Transparency and government procurement	12	2	0	154
Trade education/training	618	26	6	43

Table 8 records the information in the WTO/OECD database on trade development – activities essentially designed to promote trade. The activities can be further broken down into the objective fields in which the assistance is provided but not according to the nature of the assistance as defined in the DAC definition of TA. The effectiveness of such TRTACB and its relationship with overall development cannot be gauged, but it is a common request from developing countries, usually to support existing and obvious industries

Table 8: Trade Development (2001 Commitments)

	records	Total Spend US\$m	%total	Average Spend US\$th
Total	1,567	1,016	100	649
Business support services and institutions	750	295	29	393
Public-private sector networking	35	37	4	1,054
E-commerce	15	1	0	67
Trade finance	210	246	24	1,171
Trade promotion strategy and implementation	256	356	35	1,391
Market analysis and development	301	82	8	272

TRCB and the Main Elements of the Vision

The need to derive TRCB from recipients' Development Strategies is widely recognised in the trade field: mainstreaming trade policy into Development Strategies has been a theme on the WTO and International Financial Institutions (IFIs) agendas' since before the WTO Seattle Ministerial. Trade as an engine for economic growth as a precursor for development is well recognised, but the system for delivering any necessary assistance remains bound to traditional donor-driven processes:

- weaknesses in national budgeting or procurement processes preclude the use of national systems, strategies for strengthening these processes should be developed,
- special trade projects for example – the Integrated Framework at the multilateral level or DfID's Africa's Trade and Poverty Programme have been set up to provide specific trade related assistance;
- in principle such programmes should respond to the demands of recipients, but in practice the poor articulation of needs by developing countries has resulted in continued donor driven provision.

In future, it will be important to distinguish between:

- aid in support of recipients' development strategies, such as negotiation of flexibility or special and differential measures for developing countries and
- aid used to promote the national objectives of the aid-receiving country:

- whether in pursuit of international public goods, e.g. international trade rules, environmental protection of global commons, etc or
- national objectives of the aid-providing country, e.g. market access

Aid to support the national implementation of international public goods, is compatible with development objectives but should be prioritised in development budgets along with more immediate recipient development objectives. Whether the multilateral agencies are the most effective way of providing this assistance should not be pre-judged. The appropriate expertise may be more readily found in other WTO member States, both developed and developing, who have experience of implementation.

Articulating Demand for TA Services and Skills: The Integrated Framework

The Integrated Framework is a good example of the way in which demand for technical assistance in particular fields is built up. Box 1 gives the “official” description of the Integrated Framework as presented on its own website. Its history demonstrates the role of donor policy and politics

Its inauguration in October 1997 followed a long period of intense debate within the WTO over its future after the Singapore WTO Ministerial where the developing countries had succeeded in blocking some developed country objectives for new issues to be included within its remit – most notably trade and environment and trade and labour standards⁸⁰. Certain developed country Members sought to placate their domestic “green” lobby by holding a Special Ministerial on Trade and Environment. For a while it was supposed that the use of the term “Sustainable Development” would help to bring the developing countries on board. However, this was quickly seen as a cover and so the 1987 High Level Meeting on Trade and Development took place. The conference reached two main decisions on future action to help developing countries - the Integrated Framework and free market access for the Least Developed, which was later to become the “Anything But Arms Initiative”. The decisions were intended as “sweeteners” to the developing countries to bring them into a consensus on a wider WTO agenda. Both were to be relatively costless to developed countries; for example, there were only 9 least developed countries not already benefiting from duty free access to the European Union market under the Lomé Agreement. The Integrated Framework was simply to be a more efficient means of organising existing technical assistance, primarily through the six multilateral agencies identified in Box 2. By the end of 1999, the initiative was perceived to have failed. The developing countries saw that no additional money was available and in practice very little assistance had been delivered, seen by some as a reflection of “turf” battles between the multilateral agencies. There were certainly difficulties in aligning IF Round Tables with those held by UNDP, and at the conceptual level there were some differences in underlying philosophy between the agencies.

At the same time the Bretton Woods Institutions were emphasising the role of trade liberalisation in economic development and the Development Committee was stressing the importance of integrating trade policy into development strategies in its formal Statements. PRSPs were playing a central role in development assistance as part of the HPIC Initiative. One school of thought developed that not only should trade related technical

⁸⁰ Investment and competition were accepted with qualifications.

assistance be provided in response to countries' own development strategies, but that developing countries obligations to open their markets and to comply in detail with WTO rules should be based upon their level of development. Co-ordination between the development agencies, the Bretton Woods institutions and the WTO members would provide a mechanism for aligning developing countries' individual obligations under the WTO to their development needs. The concept of mainstreaming trade policy into

Box E2: What is the Integrated Framework ?

In response to the complexity of [LDCs'](#) trade-related problems, the Integrated Framework (IF) was inaugurated in October 1997 at the WTO High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development by six multilateral institutions ([IMF](#), [ITC](#), [UNCTAD](#), [UNDP](#), [World Bank](#) and the [WTO](#)), which, with their distinct competence, could complement each other to deliver greater development dividends to LDCs in the multilateral trading system. The Heads of Agency met in July 2000 to review the IF process and recommended several initiatives to enhance its effectiveness. As a result the IF was revamped.

The IF has two objectives: (i) to "mainstream" (integrated) trade into the national development plans such as the [Poverty Reduction Strategy Papers](#) (PRSPs) of least-developed countries; and (ii) to assist in the co-ordinated delivery of trade-related technical assistance in response to needs identified by the LDC. The IF is built on the principles of country ownership and partnership. Other key elements for the revamped IF are: (i) improved governance structure with the establishment of the [Integrated Framework Steering Committee](#) (IFSC) and the expanded [IF Working Group](#) (IFWG) for better coordination amongst donors, beneficiary LDCs and the agencies; (ii) the establishment of the [IF Trust Fund](#), which finances mainstreaming work, led by the World Bank but also follow-up activities from the studies; and, (iii) improved coordination of the delivery of trade-related technical assistance amongst bilateral and multilateral donors within a coherent policy framework.

The revamped IF has initially been implemented on a pilot basis in Cambodia, Madagascar and Mauritania. In light of the lessons learned from the three initial pilots, the pilot scheme is now being extended to the [second wave of 11 LDCs](#). In addition, implementation of follow-up activities to the IF Round Table Meetings held under the "old IF" is on-going (in Bangladesh, Gambia, Haiti, Tanzania, and Uganda). The criteria for assessing the pilot candidates are as follows: (i) demonstration of strong commitment by the government to integrate trade into its national development strategy such as its PRSP; (ii) the preparatory stage of a development plan such as the PRSP; (iii) the preparatory stage of upcoming meetings of the World Bank Consultative Group or UNDP Round Table; and (iv) conducive operational country environment (e.g. level of infrastructure, resource base of the World Bank/IMF and UNDP country offices, donor response, and the pace of domestic reform).

The [implementation](#) of the Integrated Framework comprises three broad stages. First, [preparatory activities](#), which would typically include: an official request from the country to participate in the IF process; a technical review of the request; the establishment of the National IF steering committee; and, to the extent possible, the identification of a Lead donor. Second, once the request has been approved, the process moves on to its [diagnostic phase](#), resulting in the elaboration of [Diagnostic Trade Integration Study](#) (DTIS). Finally, [follow-up activities](#) start with the translation of diagnostic phase's findings into the elaboration and validation of an action plan, which serves as basis for trade-related technical assistance delivery.

The IF has received support from both the trade and development communities, including at the Third UN Conference on LDCs (LDC-III) and the G-8 Summit in 2001. At the Doha Ministerial Conference held in November 2001, WTO Ministers endorsed the IF as a viable model for LDCs' trade development (paragraph 43 of the Doha Ministerial Declaration). On 26 February 2002, the Heads of the six IF agencies and their representatives issued a joint communiqué underscoring the commitment of agencies to the IF model. The support for the IF is also reflected in the form of increased contributions to the IF Trust Fund, which amounted to US\$ 11.8 million as of 10 March, 2003.

Source: www.integratedframework.org/about.htm 16 June 2003

PRSPs were to be a two-way process – trade was to be seen as an engine of growth, but WTO obligations were to be introduced gradually in response to progress on the development strategy.

In the summer of 2000, the future of the Integrated Framework was at a crossroads. It had failed to achieve the objectives of both the developed and the developing. However it was saved by two strands in global politics:

- the willingness of the developed to buy support for the WTO agenda from both their domestic “NGO” lobbies and developing countries by providing funding specifically for trade related capacity building;
- the suspicion of developing countries towards certain multilateral Institutions, particularly the free market philosophy promulgated by the Bretton Woods institutions.

This led to the idea of revamping the Integrated Framework to make it more attractive:

- it would have its own pool of funds, as well as being a mechanism for co-ordination of wider pool;
- it would have the objective of mainstreaming trade into national development plans, in particular PRSPs.

Politically, it could be seen as giving more control to the recipients of assistance – they had “ownership” of the PRSPs, which could be presented as driving the process of trade related technical assistance.

In practice, as discussions with the WTO Secretariat have suggested, the following problems remain:

- IF is still not perfectly integrated into PRSP processes. The IF circuit and the PRSP circuit differ, and there are different government partners for example Ministry of Trade and Ministry of Finance, given the importance of trade revenues and the role of Finance Ministries in economic planning; lack of cohesion between the two Ministries suggest that the problems run deeper than poor co-ordination between the IF and the PRSP.
- It is hard to get different parts of government to talk to each other. It is often a case of “taking them by the hand and making them talk to each other.” In some countries a lead donor has been appointed to facilitate consultations, organise meetings and ensure donor coordination, however, experience with DfID’s African Trade and Poverty programme suggest that this may not be sufficient and that specific TA may be required for this task;
- The predominant role of lobby groups and hidden agendas (e.g. losers from import liberalisation), pointing to a weakness in central government.
- Coordination within the 6 agencies. Communications are good between the staff within the six agencies who specifically deal with IF, but there are not strong links within each agency between IF work and non-IF work, militating against integration of trade policy into the development process.
- IF demands are sometimes constrained by what donors can offer through their existing programmes. Donor programming timetables impose a constraint on what can be provided, leading to the classic programme where countries express their demands within the framework of what they expect donors can provide.

- There is often a need to bridge the gap between when countries define an action plan and when donors can deliver assistance. Window 2 of the IF Trust Fund can be used as bridging finance before other donors move in.

The multilateral institutions continue to play a big role in the design of the assistance provided under the IF - Eighty percent of the Trust Fund is spent on diagnostic work managed by the World Bank and the developing countries have difficulties in articulating their demands.

Problems remain over aligning the IF with PRSPs, but equally it could be argued that the availability of “tied” funds for the promotion of liberal trade policy risks biasing PRSP implementation towards trade related measures, as recipient countries can expect donor contributions to be forthcoming.

Because it starts from a presumption that countries need TRTA, the IF risks falling into the traditional trap where:

- TA in practice often led to the erosion of the ownership, commitment and independent action of national actors – the IF diagnostics programme tends to be in the hands of suppliers selected by donors.
- TA tended to suck resources away from failing national capabilities especially those involved in planning, budgeting and administration and so undermined rather than built capacity – the IF effectively provides assistance tied to a particular strand of development policy.
- TA frequently introduced formal organisational techniques that were too heavy, too complex, too costly and in the end, unsuited to unstable, resource-poor environments –the IF management has been streamlined and in country co-ordination usually rests with a single donor with the explicit consent of all, it still requires the participation of national civil servants in an external co-ordination process, where many of the issues may reflect donor priorities and politics rather than the recipient country’s own problems and priorities.

These problems cannot be resolved by increasing funding but through greater efforts in and by agencies to co-ordinate aid policy in particular to use the PRSPs process to determine whether and which kind of trade related technical assistance individual countries need.

Developing Country Capacities

Both trade policy and WTO rules are relatively complex. The benefits of exports are more intuitively obvious than those of imports. The main beneficiaries of freer trade are consumers, and in competitive markets, the small businessmen who have access to cheaper supplies. Existing producers tend to lose from liberalisation. Although WTO rules are based on relatively simple concepts their negotiation and translation into law is complex. As the WTO and UNCTAD Secretariats have suggested, developing countries have difficulties in articulating their needs.

Recipient countries are likely to need assistance both in identifying the role of trade in their development strategy and in taking this through to detailed implementation. Where weaknesses in national budgeting or procurement processes preclude the use of national systems to identify and acquire TRTA, strategies for strengthening these processes should be developed but these should avoid taking over and effectively determining priorities and processes. This is particularly important where countries need to build a capacity for trade policy formulation and implementation. There can be no blueprint for a trade policy department applicable across all countries. The appropriate administrative machinery and staffing structure must be integrated into that of the

overall structure of government. The objective of any TA must be to help the government reform its systems so that they are sustainable long after the TA has left.

This is a slow business. For example Malawi has long been a recipient of assistance on trade policy both bilaterally⁸¹ and through the Integrated Framework. OPM carried out a study of institutional requirements in [2000-2001]. This was taken up under the Integrated Framework and the need for reform was again articulated in the 2003 Growth Strategy. Steps were taken to bring the Ministry of Trade and Commerce into closer integration with the wider economic policy through the transfer of senior staff from the Finance Ministry, who have now asked informally for help in articulating their need for donor assistance in revamping the Ministry. The objectives of the Growth Strategy are well formulated but there is recognition of the need to translate these into implementation plans.

The Provision of TRTA within the Multilateral System

Trade policy is an area where the distinction between the provision of skills and services related to national public goods and those related to global public goods can easily become blurred. The development of the WTO rules can itself be seen as a global good, introducing transparency and non-discrimination into the operation of the global market. But the benefits only flow if the rules are enforced. Developing countries may not have the:

- resources to identify the need for implementation of the rules
- expertise to translate the rules into national law or
- resources to enforce them both domestically and globally.

However, there is no a priori reason why the multilateral organisations should provide this assistance either physically or through tied finance. While the WTO Secretariat is well placed to provide education and training on the WTO rules, as the WTO staff recognised there is a need “to hold some countries by the hand” if they are to articulate their needs this suggests that there may be a case for medium to long term direct assistance to Ministries of Trade to build a sustainable administrative system for applying this knowledge, including the negotiation, application and enforcement of national law. Enforcement of WTO rules globally is in the hands of its Members. Not only does the WTO Secretariat not have an enforcement role, it is precluded from providing direct assistance to individual members seeking to use the Dispute Settlement system to enforce its own rights or assisting in negotiations⁸². The one success of the WTO Seattle Ministerial was the Decision by some Members to create the Legal Advisory Centre for WTO Law as a vehicle for providing legal advice to WTO members at subsidised rates to the developing and least developed countries.

⁸¹ Study to identify Malawi’s Institutional Development Needs in the Area of Trade and Development, Oxford Policy Management and Management Solutions Consulting (Mw)Ltd.

⁸² Technical assistance on the GATS was made available by the GATT Secretariat at the end of the Uruguay Round in terms of explanation of rules etc. Many developing countries feel that this led to inappropriate commitments.

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