



Foreword

The majority of developing countries have significantly improved their environment for trade and economic growth, following over two decades of assistance from the Bank for trade reform.

Tariff and non-tariff barriers that created distortions in incentives have been reduced, and import constraints largely eliminated. Yet export performance, an important stated objective of Bank support, has been highly varied. While most Regions diversified their exports, Africa largely failed to do so, and competitiveness eroded for many African countries, which contributed to their increased marginalization in global trade. Thus, despite the efficiency gains from trade, Bank support has not been sufficient to help place many of its poorest clients on a path toward sustained growth.

The Bank's interest in trade has gone through three phases, each with a quite different approach. During the first phase (the 1980s and early 1990s), the World Bank played a significant role in the reform of developing country trade policies through adjustment lending and by supporting trade-related institutions and infrastructure.

During the second phase, from the mid-to-late 1990s, the Bank's emphasis on trade declined, although the impact of earlier trade reforms was still playing out. Analytical work on trade (and to a lesser extent) new lending was less than in the first phase.

In 2001 the Bank reappraised its trade activities and intensified its focus. This most recent phase has focused on the global trading system and on the use of trade-related research, advocacy, capacity building, and mainstreaming of trade in Bank operations. On the lending side, attention has shifted to trade facilitation (both physical infrastructure and institutions).

Trade-related projects have been helpful in reducing distortions and relaxing the import constraint. However, cross-country analyses and case studies found that outcomes varied across countries, depending on initial conditions, the degree of macroeconomic stabilization, the existence of prior analyses, and the quality of trade-related institutions. The Independent Evaluation Group (IEG) also found that the Bank underestimated the complexity of complementary reforms in the investment climate, paid inadequate attention to external factors, and gave insufficient attention to analyzing the poverty-distributional outcomes. While economic growth often improved after liberalization, it could not always be attributed to an improved export supply response, but rather to more general efficiency gains brought about by removing trade-related distortions.

This evaluation finds the trade research to be of high quality, often timely, and with relatively few gaps. On the advocacy side, the Bank has become more closely associated with speaking out on behalf of poor countries on trade issues, in contrast to its relative silence in this area in the 1980s and 1990s. The initial advocacy, however, would have benefited from a broader focus, beyond issues of agricultural market access.

In trade-related capacity building, the evaluation finds the strategy unclear. The Integrated Framework initiative continues to emphasize diagnostic work relative to the delivery of coordinated trade-related capacity building.

With respect to mainstreaming trade, the Bank responded quickly to the new corporate focus on trade after 2000 by keeping up with the World Trade Organization (WTO) negotiations, helping to catalyze a rapid increase in trade-related analytical work, and building an effective alliance between the Poverty Reduction and Economic Management Network (PREM) and the transport and rural development units on trade logistics and standards, respectively.

Mainstreaming trade in Country Assistance Strategies (CASs) and sector activities and strategies has been slower and will require stronger support from country management units.


Overall, the Bank has been a leader in the provision of financial and technical support for trade. Between fiscal 1987 and 2004, the Bank approved about US\$38 billion for loans in trade-related areas, representing 8.1 percent of total Bank lending. This financing was accompanied by a large volume of operational economic and sector work and numerous research publications on trade. Since 1987,

lending for trade has declined, partly reflecting the reduction in lending for trade liberalization.

This evaluation has three main recommendations. First, to ensure that the Bank's advice on trade issues is consistent with the institution's poverty reduction mission: be more systematic about assessing (ex-ante) possible trade-related poverty-distributional outcomes in both economic and sector work and in lending operations, drawing on the range of multidisciplinary expertise. The Bank also needs to undertake a more systematic program of research on micro-level adjustment to trade policies, looking at firms, households, and individuals.

Second, to strengthen implementation: the Bank may need to revisit the balance between the global and country agendas and strengthen operational links on trade issues. Particularly important is enhanced cross-fertilization among trade and the financial sector and private sector development vice-presidencies, particularly in the area of services liberalization, as well as on rural and environmental issues. In addition, guidance from the PREM anchor on the incorporation of trade issues in Country Assistance Strategies in the context of the growth agenda, greater support from country management units, and more effective identification of trade champions in the Regions are important to ensure trade is fully operationalized.

Finally, the evaluation also recommends that the Bank strengthen knowledge management efforts. Greater sharing of country experience (as has been done in the area of agricultural standards) and better integration of trade work done in the center with country-level work on agriculture, labor markets, and private sector development will be critical.



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