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# USAID/ETHIOPIA WTO ACCESSION PLUS PROJECT EVALUATION

## EVALUATION REPORT

March 2010

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## **Acronyms**

BAH	Booz Allen Hamilton
COMESA	Common Market for Eastern and Southern Africa
DAG	Donor Assistance Group
EU	European Union
GOE	Government of Ethiopia
IGAD	Inter-Governmental Authority on Development
MFTR	Memorandum on Foreign Trade Regime
MOARD	Ministry of Agriculture and Rural Development
MOFED	Ministry of Finance and Economic Development
MOTI	Ministry of Trade and Industry
NGO	Non-Governmental Organization
PASDEP	Plan of Action for Sustainable Development to end Poverty
SPS	Sanitary and Phytosanitary
TBT	Technical Barrier to Trade
USAID	United States Agency for International Development
WTO	World Trade Organization

## Executive Summary

The USAID/Ethiopia Accession Plus Project is designed to continue the pursuit of Ethiopia's WTO accession while simultaneously promoting broad business environment reforms that will increase growth and economic development and enhance the benefits of WTO accession. The Project had an effective date of 27 November 2007 and has an estimated completion date of 29 September 2010.

The purpose of this evaluation is to assess the progress made by the Project towards the objectives as outlined in the TOR and described herein and offer recommendations for increasing the impact of Project activities through reprioritizing Project activities, foci, and approaches.

WTO accession includes five steps: (1) initial notification to the WTO of Ethiopia's desire to accede; (2) establishment of a Working Party of WTO members; (3) submission by Ethiopia of its Memorandum of Trade Regime (MFTR) for review by the Secretariat and the Working Party; (4) questions to the GOE by members of the Working Party regarding provisions of the MFTR with answers from the GOE; and (5) negotiation of the protocol of accession. For the last 10 years or so, the process has also included bilateral negotiations between the GOE and various WTO members regarding their concerns and requirements as a condition for allowing accession. Working Party members (USA, Canada, and EC) have submitted over 300 questions to the GOE regarding provisions of the MFTR. The GOE answered these questions in January 2008 and March 2009 with substantial assistance from the Project. The Project is expected to assist the GOE with regard to all steps of the accession process.

Under the TOR, the Project was also required to review GOE laws and regulations relevant to both WTO accession and to an expanded commercial legal framework. The Project was to help establish priorities for a legal reform agenda in consultation with the MOTI, private sector stakeholders, and the Donor Assistance Group. The Project was also expected to promote the GOE's active participation in regional trading blocs of Eastern and Southern Africa.

Project activities included: (1) ongoing accession assistance; (2) assistance with an improved commercial law framework; (3) expanded regional trade involvement; and (4) coordination/collaboration with other donors, institutions, and agencies. Among Project deliverables mandated by the TOR are: (1) a Memorandum of Understanding between USAID/Ethiopia and the MOTI regarding Project assistance; (2) drafting or review/commentary on GOE laws and regulations to facilitate WTO accession; (3) Project training and outreach to stakeholders; and (4) coordination/collaboration with other donor counterparts.

The methodology as mandated in the TOR for the evaluation includes examination and commentary on: (1) Project effectiveness; (2) Project management, coordination, and partnerships; (3) Project relevance; and (4) Project sustainability. The TOR posits a number of questions to be answered for each of these enquiry areas.

## **Project Effectiveness**

Project staffers provided technical assistance to the MOTI in its preparation of the MFTR, formulation of answers to Working Party questions, and other technical documents needed for accession (the ACC documents). They also prepared legal memos on different areas of law and identified gaps in the commercial law framework to ensure conformity with GATT/WTO rules for global trade while making suggestions for reform. However, the Project has been only moderately effective in meeting planned activities in WTO accession and commercial/regulatory reform and even less effective with regard to collaboration with other donors, outreach to the private sector, and in aspects of regional trade. Its effectiveness was limited partly because of reasons beyond the control of the Project. In this regard, it is difficult to pinpoint and measure the impact attributable to the Project because of the nature of the support it provides. The ultimate decision to make progress on its WTO accession and enable commercial law reform rests with the GOE.

In relation to the potential role of the Project for further reform, there appear to be both opportunities and challenges. Now that the structural reform process at the MOTI is more or less complete and a new MOTI Directorate for Trade Relations and Negotiations has been established with a very enthusiastic team, it is expected that more effective activities could be undertaken in consultation with the Directorate. On the other hand, there is concern that the GOE may pay more attention to the upcoming national elections and less to its WTO accession.

The MOTI clearly views the Project as a valuable support and feels it has generally been responsive to GOE needs. Nevertheless, the MOTI has concerns on the way the Project operates and has called for more transparency in allocation of its budget by USAID/Ethiopia and the manner of uses of the budget. They also wish to have more consultations and engagement in the activities of the Project such as the determination of its activities and recruitment of consultants. Because of this, the MOTI believes that the MOU between it and USAID needs to be revised with a view to addressing their concerns.

With regard to the private sector, the Project has organized several workshops on WTO issues to which the private sector was invited. However the role of the Project in strengthening the private sector's understanding and involvement in WTO accession and commercial law reform has been limited. The private sector, particularly the business community, feels that their involvement in Project activities has been limited largely to participation in the workshops and there has been little consultation with them as to their priorities and needs. In particular, there is a feeling that there has not been sufficient collaboration with either the National or the Addis Ababa Chambers of Commerce.

There have also been "success stories" for the Project. For example, it assisted the MOTI in preparation of the nearly 200 page MFTR, with the development of the answers to Working Party questions, and prepared a number of legal memos identifying gaps for reform in the commercial law framework. It also hosted a legislative drafting course for lawyers and staff of the MOTI and other ministries. The Project also collaborated with the Ethiopian Arbitration and Conciliation Centre and the Law Faculty of Addis Ababa University to conduct a moot court competition on arbitration.

The major obstacles to success has been the slow pace of the accession process caused, inter alia, by the restructuring of trade-related authorities and responsibilities in the MOTI, reticence on the part of other ministries of the GOE, and concerns regarding the forthcoming national elections.

### **Project Management, Coordination, and Partnerships**

The evaluation team believes that the placement of the Project within the MOTI has helped it to accomplish its objectives. Moreover the Project also serves as a bridge between the GOE and the private sector. It does however need to improve its relationship with the private sector and can actually take advantage of its being housed within the MOTI to communicate concerns of the private sector and business community to the GOE. The Project should partner with the National and Addis Ababa Chambers of Commerce in order to identify the priorities and concerns of the business community while conducting workshops and trainings. Many businesspeople harbor unreasonable fears and expectations about the impact of accession on their firms and their commercial activities. They would like to know what accession means for them. In this regard, the Project needs to identify areas of concern and poor understanding to devise effective outreach and public education campaigns in order to improve awareness among the business community of the commercial and economic benefits to Ethiopia by its accession to the WTO. So far the Project has not partnered with the business community, including the chambers of commerce, on any specific project. Even in the outreach activities organized by the Project, the chambers were not consulted on areas of concern for the business community but were simply invited to attend the meetings.

Also, there are a wide range of stakeholders and counterparts pursuing the reforms targeted by the Project. The tasks envisioned to be undertaken by the Project require significant interaction and collaboration with these other organizations in order to promote overall synergy of their goals and activities. One form of collaborative work could be provision of direct support to other organizations and their projects.

With regard to better integration of the Project into the overall USAID/Ethiopia program, it should be noted that the Project has one very distinct focus – Ethiopia’s WTO accession, and that should remain its central focus. It would not support achievement of that focus by immersing it into other USAID/Ethiopia projects. However, since there are several donors and projects dealing with aspects of commercial law revision, that part of the Project’s focus could usefully be integrated into an overall commercial law reform project.

### **Project Relevance**

Overall, the goal of USAID economic activity in Ethiopia is increased economic growth and development with the private sector as the engine of that growth. The Project was designed to continue and facilitate Ethiopia’s accession to the WTO while also promoting broad business environment reforms that will enhance the benefits from Ethiopia’s WTO membership. Still, the Project has a limited budget and staff, so its first priority should be facilitating WTO accession in its activities. The evaluation team believes that the Project goes too far afield in the area of commercial law reform. It should not get involved in aspects of Ethiopia’s commercial law regime that *do not* have direct relevance to or consequences for its membership in the WTO. Project staff have said they were confronted with budget constraints that inhibited them in providing capacity building for trade negotiation (a concern of the MOTI). Too wide expansion

of non-WTO commercial law reform is a significant budgetary expenditure that limits the Project's attention to trade negotiating capacity.

### **Project Sustainability**

One-time only activities that cannot be continued in the future are unlikely to achieve sustainability. The Project will, in large part, be considered sustainable if and when Ethiopia accedes to the WTO and, then, in the longer term by the success for its people if it realizes the economic and trade benefits from its membership over time. Action by the GOE to support meaningful and successful membership in the WTO will promote sustainability. Project sustainability will also occur to the extent there are reforms in the commercial legal system directly relevant to the GOE's membership in the WTO and revisions in the Ethiopian legal system and in its legal, regulatory, and policy formation actions. So, to the extent the Project's activities empower relevant GOE ministries and individuals through training, thereby increasing their commitment to ensuring that the GOE implements its obligations and commitments under the GATT/WTO framework of rules for global trade, the Project will achieve sustainability.

### **Recommendations**

This report includes specific recommendations to deal with problems encountered in the administration and operation of the Project. These recommendations are found on pages 18-20 below.

## **I. Project Objective and Scope**

The Project continues the focus and efforts of its predecessor, the Doha Project and is intended to: (a) facilitate Ethiopia's accession to the World Trade Organization ("WTO"); (b) address gaps in the overall trade and investment climate that limits Ethiopia's ability to take advantage of WTO membership once attained; and (c) facilitate Ethiopia's ability to take advantage of African regional economic integration and trade agreements. The Project provides the following forms of technical assistance:

- (1) legal reform (expert technical assistance in analyzing and revising the legal and regulatory regime to harmonize with the GATT/WTO framework of rules for global trade but also to induce market-oriented economic growth and development reforms);
- (2) outreach to governmental and non-governmental organizations (NGOs) via workshops, seminars, presentations, published articles, and other mechanisms for building understanding and support for WTO membership and the reform agenda; and
- (3) capacity building through training, education and mentoring of individuals and institutions responsible for ongoing implementation, maintenance, and expansion of reforms that support increased trade and investment.

In summary, the Project is designed to continue the pursuit of Ethiopia's WTO accession while simultaneously promoting broad business environment reforms that will increase growth and economic development and enhance the benefits of WTO accession. The Project had an effective date of 27 November 2007 and an estimated completion date of 29 September 2010.

## **II. Project Context**

Ethiopia began its economic liberalization process in the 1990s with a vision of reversing the socio-economic crisis of the 1970s and 1980s and rapidly transforming its economy into a market-oriented economy. Following the collapse of the military regime and its re-orientation from the command economic system, the country has taken a major policy shift towards a market-oriented economy. With a view to integrating its economy into the global economy by further committing to reform, Ethiopia has applied for WTO membership and its accession is underway. The U.S. has been supporting the efforts of Ethiopia to reform its economy and its quest for WTO Accession. To that end, USAID launched the Doha WTO Accession Project in 2005 (the Doha Project) to help the country in its accession process. The current project is the continuation of the Doha WTO Accession Project.

The ultimate goal of USAID economic growth activity in Ethiopia is increased economic growth and development with the private sector as the engine of that growth. The Project is designed to continue the pursuit of Ethiopia's WTO accession but also by fostering broad business environment reforms in the general commercial legal and regulatory context that will increase growth and thereby enhance the benefits of accession.

### **III. Project Assessment Objectives and Methodology**

#### **1. Evaluation Objective**

The overall aims of this Project evaluation is to assess the progress made toward the objectives of the WTO Accession Plus Project as outlined in the Task Order and to provide recommendations for increasing impact through reprioritizing Project activities, approaches, and foci. Within the ambit of the above overall objective, the specific objectives of this evaluation are:

1. Assessing the Project's effectiveness;
2. Determining cumulative actual and potential impact;
3. Evaluating BAH's strategic approach and their management of Project activities;
4. Defining the gains that USAID/Ethiopia and its partners can derive from adjusting the current program;
5. Appraising how sustainable Project results and activities are to date; and
6. Examining the Project's accuracy and relevance in light of current Ethiopian policies and political commitment to WTO accession.

#### **2. Specific Evaluation Questions to Be Answered**

##### **A. Project Effectiveness:**

- a) How effective has the Project been in meeting its target of planned activities?
- b) What impacts have been produced that are attributable to the Project?
- c) (1) How much of the GOE's current legal and institutional reforms can be attributed to the Project, and (2) what is the potential for the Project to promote further reform?
- d) (1) How effective is the Project in its responsiveness to GOE needs for technical support and (2) does the GOE view the Project as a useful support?
- e) To what extent has the Project strengthened the private sector's understanding and involvement in both the WTO accession and other efforts at commercial legal reforms – what results were achieved?
- f) Did the Project influence significant changes in GOE policy and administration processes that will contribute to its WTO accession or other trade-related commercial legal and constitutional reform?
- g) Overall, what are the success stories of the Project?
- h) What have been the major obstacles to Project success and how well did the Project contractor respond to such challenges?

## **B. Project Management, Coordination, & Partnership:**

- a) What are the demonstrated value and effectiveness of current GOE organizational structures for the two foci of the project and have there been any gains in efficiency and results in changing the organizational placement structure? Is it clear who has responsibility for what, are there duplications? For inspections, is the Customs function efficient or does its inefficiency add to the final cost of goods' entry, and is there a clear distinction between institutions responsible for regulation and others responsible for enforcing them?
- b) Did Project initiatives with private sector NGOs increase their effectiveness and accomplishments?
- c) What further linkages or initiatives can the Project exploit to further WTO accession and goals for commercial, legal, and institutional reform?
- d) How can the WTO Accession Plus project be better integrated into an overall USAID/Ethiopia program?

## **C. Project Relevance:**

- a) Are the selected Project activities appropriate to reach the desired results?
- b) What activities should be included and which activities are irrelevant or of no more importance to Project objectives?
- c) Assess the current Project plan and establish priorities for the remaining period of the Project.

## **D. Project Sustainability:**

- a) Assess the sustainability of program results achieved so far and determine necessary elements that the Project should consider to sustain results.
- b) To what extent do Project activities successfully create sustainable capacity among counterpart federal agencies and the private sector?
- c) To what extent do Project activities support the private sector business community to advocate for needed reforms to improve the business environment and take advantage of Ethiopia's WTO accession once achieved?

## **3. Methodology**

The team has examined a large number of documents related to the activities of the Project. It has also conducted extensive interviews with the pertinent USAID staff, Project Staff, the MOTI, and other government institutions, the private sector, partners and donors.

## **IV. Assessment of Individual Components of the Project**

### **1. Program Effectiveness**

#### **(a) The effectiveness of the Project in meeting its target of planned activities**

The specific activities undertaken by the Project include: (1) assistance to the ongoing WTO accession; (2) trade-related commercial & regulatory reforms; (3) expanded regional trade; and (4) coordination & collaboration with other aid donors, institutions, and agencies.

The Project has helped the MOTI in different ways in the ongoing WTO accession process. Project staff members have provided technical assistance in the course of the preparation of the Memorandum of Foreign Trade Regime (MFTR), the answers to questions raised by members of the WTO Accession working party, as well as other technical documents for accession. They have also prepared legal memos on different areas of law and identified gaps and limitations of various laws and regulations for conformity with GATT/WTO rules for global trade followed by suggestions for reform. These activities may also help in inducing broader commercial and regulatory reforms. However, the role of the Project in enhancing regional trade has been very limited. Similarly, there have been some attempts to link up efforts with some donors and other institutions, one example being the arbitration moot court the Project conducted with the Arbitration & Conciliation Centre and the Faculty of Law of Addis Ababa University. Nonetheless such efforts remain largely at the level of preliminary discussion and they have not in most cases translated into concrete Project activities.

The Project thus has been only moderately effective in meeting planned activities in WTO accession and commercial/regulatory reform whilst it is even less effective in regional trade and coordination and collaboration with other donors and institutions. It should be noted, however, that some of the activities involve policy issues that go beyond the control of the Project. Whatever the Project does is to help the GOE and influence policy reforms, but ultimately, it is up to the GOE to make the decision.

In general, the Project has done relatively well in the area of facilitating WTO accession but it has not done on all the activities it was supposed to undertake. In some cases where it did undertake activities, its effectiveness has been limited partly because of reasons beyond the control of the Project.

#### **(b) Impacts attributable to the Project**

The Project has helped the MOTI in the preparation of the MFTR that had to be submitted to the WTO Secretariat. The answers to the questions raised by WTO Working Party members and other technical documents such as the ACC documents, which have to be submitted to the Secretariat as part of the accession process. It has also prepared a number of legal memos addressing specific issues relevant to the WTO accession. MOTI officials recognize this as important assistance from the Project. The impact of these activities is that the MFTR and answers to the questions and other technical documents submitted to the WTO Secretariat have advanced the process of accession.

That said it is difficult to pinpoint and measure the impact attributable to the Project because of the nature of support it provides. As noted, the ultimate decision to make progress in the WTO accession rests with the GOE.

While the Project has also organized trainings with a view to building the capacity of the MOTI, both Project and MOTI staff recognize that the role of the Project in capacity building has been rather limited. Similarly, the business community feels that the outreach program that the Project has undertaken has been limited. Capacity building and outreach programs are areas where the Project could bring about an important impact in viewpoints regarding Ethiopia's membership in the WTO but this has been limited for various reasons.

**(c) Current legal and institutional reforms attributed to the Project and the potential for the Project to promote further reform**

The various legal memos and studies prepared by the Project could contribute to GOE reform initiatives. For example, the memo on Legal Services in Ethiopia could be taken as one input in the on-going work of revising regulations in this area. The other legal memos may also be helping to reform efforts of the GOE by showing gaps and weaknesses in the regulatory framework. Again, it is difficult to measure the legal and institutional reforms undertaken by the GOE as attributable to the Project. The different activities might have influenced reform agendas but the ultimate decision for reform rests with the GOE making it difficult to measure the attribution to the Project.

In relation to the potential role of the Project for further reform in its remaining lifetime, there appears to be both prospects and challenges. In terms of prospects, now that the structural reform process at the MOTI has more or less been completed and a new Directorate for Trade Relations & Negotiations has been established with a very enthusiastic team, it is expected that more effective activities could be undertaken in consultation with the MOTI. On the other hand, there is also a feeling that the GOE may pay more attention to the upcoming election and less to WTO accession, which may have a negative impact on the potential contribution of the Project for further reform.

**(d) The effectiveness of the Project in its responsiveness to GOE needs for technical support and the GOE view of the Project**

The MOTI clearly has the view that the Project is useful and feels it has been generally responsive to the needs of the GOE. However, Project staff think that the MOTI has not been able to make the best out of the Project because of the restructuring it has undertaken over the last two years. They also feel that at times the MOTI has been less responsive to Project activities and they do not receive many requests from the MOTI for specific activities. On the other hand, the MOTI generally views the Project as a valuable support, especially in preparing legal memos and providing other technical assistance. They also feel that the Project has not always been responsive to their demands and needs. For example, they stated that the request by the MOTI for high level training on trade negotiations has not been met by the Project.

The MOTI also has concerns about the way the Project operates its activities and has called for more transparency on the amount of budget allocated to the Project by USAID and the manner of

use of the budget. They also wish to have more consultations and engagement in the activities undertaken by the Project such as consultant recruitment. Because of this, the MOTI believes that the Memorandum of Understanding between it and USAID needs to be revised in order to address their concerns.

**(e) The extent to which the Project strengthened the private sector's understanding of and involvement in the WTO accession and other efforts at commercial legal reform and the results achieved**

The Project has organized several workshops on WTO issues where the private sector was invited and participated. However the role of the Project in strengthening the private sector's understanding and involvement in WTO accession and commercial law reforms has been limited. The private sector, particularly the business community, feels that their involvement in Project activities has largely been limited to participation in workshops organized by the Project and there has been little consultation with them as to their priorities and needs before hand. In particular, there has not been a close collaboration with the Ethiopian or Addis Chamber of Commerce. The role of the Project in strengthening the capacity of the private sector in commercial legal reform has also been considered limited. For example, the Project has had no visible role in the on-going revision of the Commercial Code under the auspices of the Addis Chamber of Commerce.

**(f) The Project's influence to bring significant changes in the GOE policy process and administration that will contribute to WTO accession or other trade-related commercial legal and constitutional reform**

As noted, the Project has hosted several workshops and prepared several memos on different areas identifying needed reform with a view to facilitate trade and WTO accession. These activities may influence the GOE to undertake trade-related reforms as it moves toward accession to the WTO. Again, it is difficult to measure in precise term the role of the Project in influencing changes in GOE policies.

**(g) The success stories of the Project**

The Project assisted the MOTI in preparing the MFTR, replies to Working Party questions, and various other accession documents. It has also prepared a number of legal memos identifying gaps and limitations in various laws affecting trade. It has collaborated with the Ethiopian Arbitration and Conciliation Centre and the Law Faculty of Addis Ababa University to conduct a moot court competition on arbitration. The Project has also hosted a legislative drafting course for lawyers and staff of the MOTI and other ministries with in order to strengthening their capacity in legislative drafting and analysis. These could be taken as success stories of the Project.

**(h) The major obstacles to Project success and how well did the Project contractor (Booz, Allen, Hamilton) respond to such challenges**

One major obstacle has been the slow pace of the accession process. For different reasons beyond the control of the Project, the accession process has not been going at the pace supposed.

This has posed an important challenge to the Project by reducing attention to WTO accession. The institutional restructuring at the MOTI has also been another challenge for the Project as it took longer than expected with less attention given to work related to WTO accession. In the course of the restructuring, it was difficult to contact counterparts and discuss with them Project activities. While the capacity of the Project to expedite the process of accession may be limited, the restructuring of the MOTI has largely been completed, giving optimism for better coordination and execution of Project activities.

## **2. Project Management, Coordination and Partnerships**

### **(a) The demonstrated value and effectiveness of current GOE organizational structures for the two foci of the Project and any gains in efficiency and results in changing the organizational placement/structure**

The Project is currently housed within the premises of the MOTI. It is believed that the placement of the Project within the MOTI is beneficial to an efficient and smooth working relationship with staff of the Ministry. The fact that the Project is located within the MOTI helped the Project staff to develop a close working relationship with staff of the MOTI Directorate. As the Project staff is able to contact the MOTI staff directly at any time, it increases the efficiency by which things get done. On the other hand, the partnership that the Project has with the private sector is loose and this loose partnership has been attributed to the Project being within the Ministry. The Project's placement within the MOTI tends to give a wrong signal that some perceive it is helping the GOE but not the private sector and business community.

The team believes that the placement of the Project within the MOTI has helped it to accomplish its basic objectives. Moreover, the Project also serves as a bridge between the private sector and the GOE. The Project needs to improve its relationship with the private sector and can actually take advantage of its being housed in the MOTI to communicate concerns of the private sector and business community to the GOE.

### **(b) Project partnership initiatives with private sector NGOs to increase their effectiveness and accomplishments**

As indicated in the Task Order, the Project is expected to work very closely with the public as well as private sector in Ethiopia for the purpose of building capacity. The private sector is most effectively represented by the Ethiopian and Addis Ababa Chambers of Commerce. The Project should partner with the chambers in order to identify the priorities and concerns of the private sector business community whilst conducting workshops and trainings. It is believed that successful WTO accession should involve awareness rising on WTO accession issues. Many business people hold unreasonable fears and expectations about the impact of accession on their firms and commercial activities. These business people would like to know what WTO accession means for them and their businesses. In this regard, the Project has to identify areas of concern and poor understanding and devise appropriate outreach and public education campaigns to improve awareness among the business community of the commercial and economic benefits to Ethiopia by its accession to the WTO. As the business community is the targeted beneficiary of this kind of outreach, identification of areas of concern about WTO issues needs to be done in consultation with the chambers of commerce.

The Project's accomplishments in this regard are limited. The Project tried to maintain a working relationship with the Ethiopian and Addis Ababa Chambers of Commerce by inviting them to meetings and workshops related to WTO accession. The Project staff also attends meetings and workshops organized by the chambers. So far the Project has not partnered with either of them on a specific project. Even in the outreach services organized by the Project, the chambers were not consulted on areas of concern for the business community. They were simply invited to attend the meetings.

Partnership with the chambers is one area the Project needs to improve upon. There are various possible areas of cooperation with the private sector including expanding outreach to the business community through the chambers. Involving the chamber in identifying areas of concern for the private sector prior to preparing workshops and meetings will have meaningful impact rather than simply inviting chamber staff to attend the meetings. The chambers are represented in the technical committee for the WTO accession and also take part in the public/private partnership forum, in which they contribute towards policy formation of the GOE, including policies related to the WTO. Building capacity of staff of the chambers will play a crucial role in enhancing participation of the private sector and business community and in making sure that their concerns are heard by policy makers of the country. Hence, the project can partner with the chambers in capacity building activities. Moreover, the Private Sector Development Hub within the Addis Ababa Chamber undertakes research on issues of concern for the private sector, including WTO accession and membership. This is one area in which the Project can and should partner with the Chambers.

**(c) Further linkages or initiatives the Project exploit to further WTO accession and the goals for commercial, legal, and institutional reform**

There are a wide range of stakeholders and counterparts pursuing the reforms targeted by the Project. Apart from the MOTI, other ministries like MOFED, MOARD, and other GOE agencies as well as numerous donors including the European Commission, GTZ, and other U.S. agencies are involved in promoting reform. The tasks which are envisioned to be undertaken by the Project require significant interaction and collaboration with these other organizations. Hence, the Project is expected to work in close cooperation and collaboration with these other agencies.

In this regard, the Project has established a working relationship with the EU's Trade Capacity Building Unit in which legal experts from the WTO Accession Plus Project facilitated training for the private sector in different parts of the country. At other times the collaborative works with other government and donor agencies but this should be more than just invitations to attend meetings. All donor agencies that have working relationships with the Project have either been invited to workshops organized by the Project or invited Project staff to attend their workshops. However, at times, this collaboration seems to be with agencies which do not work on WTO accession issues.

So, one area of improvement for the future work of the Project is coordination and collaboration with other donor agencies and government offices. As mandated in the Task Order, one form of collaborative work could be provision of direct support to other organizations and their projects.

Different GOE agencies like MOARD have identified gaps where they need intervention from the Project. This is one area for collaborative work by the Project.

**(d) How can the WTO Accession Plus Project be better integrated into an overall USAID/Ethiopia program?**

The Project has one very distinct focus: Ethiopia's WTO accession and that should remain its central focus. That implies a number of forms of technical assistance and capacity building activities. It would not necessarily support that focus by immersing it into other USAID/Ethiopia projects. However, since there are several donors and projects dealing with aspects of commercial law revision, that part of the Project's focus could usefully be integrated into an overall commercial law reform project.

### **3. Project Relevance**

**(a) The appropriateness of the selected Project activities to reach the desired results**

Desired results are described in the Project's Terms of Reference and BAH's proposal. Overall, the ultimate goal of USAID economic activity in Ethiopia is increased economic growth and development with the private sector as the engine of that growth. The Project was designed to continue and facilitate Ethiopia's accession to the WTO while also promoting broad business environment reforms that will increase growth and economic development and enhance the benefits from Ethiopia's WTO membership.

The activities selected to achieve these goals include:

- Examination and legal review of GOE laws and regulations relevant to both WTO accession and an expanded commercial legal framework for establishing priorities for a legal reform agenda and identifying gaps in GOE legislation relevant to Ethiopia's membership in the WTO;
- Ad-hoc technical assistance, legislative drafting, and building of a local legislative drafting capacity;
- Development of policy formation and decision support capacity for the GOE Parliament, the MOTI, and the private sector;
- General training and outreach with respect to WTO accession and the GATT/WTO framework of rules for global trade to facilitate Ethiopia's implementation of its GATT/WTO obligations and commitments;
- Improved coordination and collaboration among ministries and the private sector, other donors, and U.S. agencies; and
- Short-term consultant services.

There are a number of donors and agencies working on commercial law reform. The MOTI prefers that the Project focus on facilitating and supporting WTO accession. The Project has a limited budget and staff. Its Priorities should be: facilitating WTO accession with activities

oriented toward preparation of ACC documents; legal review of the MOTI and other GOE documents relevant to the WTO; technical assistance for legislative drafting; training, capacity building, and outreach to all relevant parties regarding the GATT/WTO framework of rules for global trade, especially obligations and commitments likely to be undertaken by Ethiopia as part of its accession; and outreach to the GOE, NGOs, and the private sector on benefits of Ethiopia's membership to the WTO.

The evaluation team believes that the Project's role in areas of commercial law reform should be limited. It is believed that Project's involvement in this area should be limited to aspects of Ethiopia's commercial law regime that have direct relevance to or consequences for its membership in the WTO.

**(b) Activities to be included and activities that are irrelevant or of no more importance to Project objectives**

The scope of Project activities is ultimately determined by its budget and staffing. Clearly the primary activities are those related to facilitating and supporting Ethiopia's accession to the WTO. Activities that support this primary concern should include: capacity building for staff of the MOTI and other relevant ministries with respect to trade negotiation; implementation of the GOE's obligations and commitments once it achieves accession; accession/implementation policy formation and decision support; collaboration/cooperation with other donors providing WTO-related technical assistance; and outreach to the public, NGOs, and, in particular, the private sector business community regarding the requirements and benefits of WTO membership. Activities that do not relate directly to Ethiopia's accession needs or to commercial laws and regulations that do not support the accession process or implement the GOE's obligations and commitments under the WTO framework should not be the priority of the Project.

The Project staff said they were confronted with budget constraints that inhibited them in providing capacity building for trade negotiation. Wide expansion of the non-WTO related commercial law reform is as significant budgetary expenditure that limits the Project's attention to trade negotiating capacity.

**(c) Assessment of the current Project plan and priorities for the remaining period of the Project**

The Project plan for major activities/targets for the annual reporting period 01 October 2009 through 30 September 2010 includes:

- conduct 20 trainings – both local and regional;
- produce 10-20 legal memos/analyses;
- produce & publish articles on the benefits of regional trade integration (IGAD, COMESA);
- publish 3-5 articles to increase awareness and knowledge about WTO accession;
- collaborate with the MOTI Directorate for Trade & WTO to finalize initial offers in goods and services to submit to the Working Party;

- assist with efforts to conduct the second Working Party meeting;
- work with the MOTI to submit remaining required ACCs;
- work with the EC to launch collaborative Ethiopian Trade Journal;
- work with the DAG & MOTI to influence formation of private sector development and trade capacity building as part of PASDEP II;
- assist the MOTI in beginning bilateral negotiations as part of the WTO accession process;
- work with the GOE and donors to establish SPS and TBT Enquiry Points;
- collaborate with donors on assistance regarding the Customs Valuation modernization program;
- continue technical assistance to the GOE to influence commercial legal reform; and
- begin discussions on regional moot court program.

The Project's priorities should include: (a) assistance for final realization of Ethiopia's WTO accession, including high level and skill-oriented training on trade negotiations; (b) drafting and/or review/commentary on documents relating to WTO accession (e.g., ACCs, offers, questions, and other formal texts); (c) outreach to the private sector and other stakeholders regarding benefits/concerns of Ethiopia's WTO membership and its implementation of its obligations and commitments thereunder; and (d) conferences/workshops on WTO-related themes.

#### **4. Program Sustainability**

##### **(a) Assessment of the sustainability of Project results achieved so far and determination of the necessary elements that the Project should consider to sustain results**

One-time only activities that cannot be continued in the future are unlikely to achieve sustainability. The Project will, in large part, be considered sustainable if and when Ethiopia finally accedes to the WTO and, then, in the longer term by the success for its people if it realizes the economic and trade benefits from its membership over time. Action by the GOE to support meaningful and successful membership in the WTO will promote sustainability. Reforms in the commercial legal system directly relevant to the GOE's membership in the WTO, and revisions in the Ethiopian legal, regulatory, and policy formation systems, will promote sustainability. Above all, capacity building is the key element for sustainability of the Project and should be one of the areas of priority for the remaining life of the project and beyond.

##### **(b) The extent to which the program activities have successfully created sustainable capacity among counterpart federal agencies and the private sector**

The Project has sustainably improved capacity among Ethiopian federal agencies by the extensive training it has offered to government staff, who now have become genuinely supportive of Ethiopia's accession. These senior and mid-level government managers are willing and effective in ensuring that the GOE implements its obligations and commitments under the WTO framework. They should have the capacity to engage successfully in international trade negotiations relating to the WTO, so one may say that the activities of the Project have successfully created sustainable capacity. To a more limited extent, the Project has

achieved the same aim with selected business leaders and other private sector representatives who have also participated in Project conferences and training events. Both the MOTI and the private sector think that a more focused endeavor around capacity building would help to ensure sustainability.

**(c) To what extent do Project activities support the private sector business community to advocate for needed reforms to improve the business environment and take advantage of Ethiopia's WTO accession once achieved?**

Although the Project has undertaken certain business-focused activities such as conferences, usually in collaboration with other donors or NGOs such as chambers of commerce, the Project has not made significant efforts to reach out to the private sector. Nearly all stakeholders interviewed held this view.

## **V. Lessons Learned and Recommendations**

The MOTI, partners and stakeholders unanimously recognize the importance of the Project in facilitating the country's accession to the WTO and encouraging broader commercial regulatory reform.

The Project has played a very important role particularly in the accession process. In particular it has drafted legal memos in a number of areas showing gaps in regulations and suggesting reform. It has also assisted the MOTI in the preparation of the large number of questions received from WTO members in two rounds as well as in the preparation of the other technical documents necessary for the WTO accession. The Project has also organized different workshops targeting specific issues of particular importance for the country and to a limited extent partnered with other stakeholders to encourage broader commercial regulatory reform.

Ethiopia has entered a critical stage in the accession negotiation and now that most of the technical documents required for accession have been submitted with the support of the Project, the next step is the bilateral and the multilateral negotiations, which is a complex process. The role of the business community in the accession process has so far been limited. The Addis and Ethiopia Chamber of Commerce are members of the Technical Committee for WTO accession but they are not represented in the Steering Committee, which makes final decisions regarding the accession. They are now calling to be represented in the Steering Committee so that they will be able to air the concerns and positions of the private sector in the accession negotiations. Some members of the business community also feel that they should even be part of the negotiating team. Nonetheless, it is also clear that the business community in general lacks capacity in WTO related issues and it has not been able to articulate the position and priorities of the business community in the different areas with a view to influence government's negotiation agenda. The business community and other stakeholders also view the Project as an important partner and although they wish to see more collaboration and assistance targeting the needs and priorities of the private sector, they all recognize the critical role this project may potentially play by assisting further reforms and building the capacity of the private sector which is weak relative to government.

Even if there is a general understanding that the accession has been slow and it may continue to be slow because of the likely focus on the upcoming elections, there are also some hopes that the GOE will take the accession more seriously. Apart from the open statement of the Prime Minister to finalize the accession in a few years time, the MOTI has reorganized the department in charge of WTO accession as the Trade Relations and Negotiations Directorate with a committed team to expedite the process. The Directorate is in the process of strengthening itself by employing new staff, and those new staff would benefit from further training under the Project. The MOTI has high expectations for the Project.

It is the view of the Team that the Project should not simply close at this critical juncture in the accession process and it should continue with a new focus and approach. The technical assistance and capacity needs of Ethiopia remain a significant concern of the GOE (see Annex B) and should be an important focus of the future activities of the Project if renewed.

## **Recommendations**

### **1. Continuation of the Project with a shift in focus**

Given the important role the Project has played so far, the critical juncture the accession process has entered and the important potential role of the Project in the process as well as the call for the continuation of the Project by the MOTI, the business community and other stakeholders and partners, it is recommended that the Project be extended for two more years.

Nonetheless, the focus of the Project currently is too broad and in practice the Project has focused more on WTO accession issues than the other areas within its scope such as initiating broader commercial reform and encouraging regional integration. It is recommended that the Project should engage in more focused activities so that its impact would be more pronounced and more resources would be diverted to activities that would bring about important impacts. Accordingly, the Project should maintain its focus on WTO accession, but should focus on commercial law revision only to the extent such laws relate to or impact specifically on Ethiopia's obligations and commitments under the WTO. Other donors are currently working on regional integration and the Project's intervention in the area would be a duplication of what is being done.

### **2. More attention to the private sector**

The evaluation of the Project has shown that the latter's interaction with the private sector has been limited. Even if there were a number of outreach programs involving the private sector, the Project has not partnered with the business community in specific projects. More focus on the private sector is necessitated by two important considerations. First, members of the business community are the ones who would directly be affected by the consequences of the accession and making sure that they understand such consequences is absolutely important. Second, the business community lacks the capacity to pinpoint its positions and priorities and to influence government negotiation agenda.

It is recommended the Project should establish a mechanism to engage with the private sector, including the National and Addis Ababa Chambers of Commerce and partner with them in concrete projects based on their priorities.

### **3. Capacity building for MOTI and other line ministries**

The MOTI recognizes the important role played by the Project in the accession process but calls for more activities targeting capacity building. There are two areas in which the Project could play important roles in terms of capacity building. First, the MOTI is in the process of organizing the core negotiating team that would spearhead the accession negotiations. Building the capacity of the core team of negotiators through a high level training on negotiation is a critical intervention with a huge benefit to the accession process. Second, the newly established Directorate for Trade Relations and Negotiations is trying to strengthen its capacity by providing trainings to its existing staff while employing additional staff. The Project could play a very important role in this by supporting trainings.

### **4. More coordination and collaboration with other donors**

The Project should strive for a more synergetic sharing of assistance activities with other donors and agencies directly or indirectly working on WTO accession. Some donors are now working on Ethiopia's WTO accession. These include, the European Union, World Bank, USAID AGOA Plus Project, World Trade Organization, GTZ, Japanese Embassy, JICA, Finland Embassy, and UNCTAD. A more synergetic collaboration with such projects would enhance the impact of Project activities and avoid duplication of activities.

### **5. Focus on contentious issues in the accession process**

It is expected that the accession process would soon enter the more complex stage of bilateral and multilateral negotiations and it is likely that some issues would be more contentious than others. The different questions that came from the WTO members show that some areas could attract more attention of the WTO members than others. Some likely key issues in the negotiation include: transparency, telecom, financial sector, intellectual property, customs, quality and standards, and state trading enterprises. A focus on these and other areas likely to be contentious would help in expediting the accession process.

### **6. A user-friendly outline of Ethiopia's obligations and commitments under the WTO**

The precise number and nature of Ethiopia's obligations and commitments under the different agreements of the WTO are not known to the MOTI, the private sector and other stakeholders. Outlining such obligations and commitments would enable understating of such obligations and commitments beforehand, while also clearing confusions and expediting the accession process. Such an outline of the country's obligations and commitments would also facilitate the smooth implementation of the obligations and commitments. It is recommended that the Project take this as one important agenda and develop a user-friendly outline of Ethiopia's obligations and commitments under the WTO.

### **7. A realistic budget**

Project staff, the MOTI and other stakeholders feel that the Project needs to have a budget commensurate with the different activities it is supposed to undertake and some activities have not been undertaken because of budget limitation. While the Team does not suggest any specific figure, it nevertheless recommends that the budget to be allocated for the project should be realistic in view of its mandated tasks.

The MOTI has raised concerns regarding transparency with regard to the Project budget. While we see the importance of sharing basic budget aspects for the project with the MOTI, the team does not believe the Project or USAID/Ethiopia should be required to share detailed budget information or salaries, overhead and other costs with the MOTI. The MOTI should, however, be provided the opportunity to comment on the proposed overall annual budget and major budget line items, and have the opportunity to make specific budget suggestions for the year. Furthermore, if ad hoc or other additions/changes are made to the work plan, the MOTI should be notified and provided the opportunity to comment thereon. Additionally, the MOTI may be consulted on certain personnel matters, but all final decisions of the budget and Project personnel must rest with USAID/Ethiopia and the Project.

## **8. Project to remain housed at the MOTI**

The MOTI is the government organ in charge of WTO accession and trade issues in general. It is a government institution that handles all trade relations and negotiation issues. It is absolutely important that the Project works very closely with the MOTI staff and in particular the Trade Relations and Negotiation Directorate and to facilitate this close interaction the Project need to remain in the premises of the MOTI. This would also be important in terms of cost for offices and facilities.

## **9. Project's Chief of Party familiarity with WTO-related issues**

The activities of the Project involve technical issues that require a deep understanding of the GATT/WTO framework of rules for global trade and WTO issues in addition to the managerial skills to lead the Project. The Project Chief of Party (COP) should have significant knowledge and understanding of international trade issues, including specifically the obligations of members of the WTO with respect to WTO obligations and commitments. Additionally, the Project COP should also have basic experience and capacity with regard to Project management, personnel matters, and public outreach. The COP need not be a lawyer since WTO rules and agreement-specific issues are more likely to be conferred on short-term technical assistants.

## **Annex A: List of Persons Contacted**

1. Ato Addis Alemayehu AGOA +, VEGA project
2. Ato Teferi Asfaw, Addis Ababa Chamber of Commerce and Sectoral Associations
3. Ato Teshome Beyene, Addis Ababa Chamber of Commerce and Sectoral Associations
4. Ato Gashaw Debebe, Ethiopian Chamber of Commerce and Sectoral Association
5. Ato Fikre Markos, Deputy Director, Animal and Plant Health Regulatory Directorate, MOARD
6. Ato Merkneh Yigezu, Ministry of Justice
7. Lazarre Potier, COP, USAID WTO Accession Plus Project
8. Kary I Hintz-Tate, US Embassy in Addis Ababa
9. Fasil Yilma, US Embassy in Addis Ababa
10. Ato Geremew Ayalew, MOTI, Trade Relation and Negotiation Directorate
11. Ato Lisanework, MOTI, Trade relation and Negotiation Directorate
12. Ato Demilew, MOTI, Trade relation and Negotiation Directorate
13. Ato Wondwesson Shewarega, USAID WTO Accession Plus Project staff
14. Ms. Malisa, USAID WTO Accession Plus Project staff
15. Dr. Claudius Preville, Trade Capacity Building Unit (EU Project)
16. Ato Asfaw Alemayehu, The American Chamber of Commerce in Ethiopia
17. Ato Hailemichael Liqu, Addis Ababa Chamber of Commerce, Private Sector Development Hub
18. Mr John Clifford, Addis Ababa Chamber of Commerce Private Sector Development Hub
19. Mr. Andrea Lacquaniti, Italian Cooperation
20. Ato Seifu Belay, GTZ
21. Ato Mandfrot Belai, ABA-ROLI, Addis Office
22. Mrs. Haregewoin Ashenafi, Ethiopian Arbitration and Conciliation Centre
23. Ato Wondwosen Belete, Ethiopian Intellectual Property Office
24. Randy Chester, USAID-Addis
25. Mrs. Semunesh Demetros, USAID-Addis
26. John Edgar, USAID-Addis

## **Annex B: Prioritized Needs of the MOTI from the Project**

Technical Assistance and Capacity Building needs of Ethiopia from USIAD for WTO Accession and beyond:

- Legal reviews of Ethiopian laws to assess their consistency with the WTO rules,
- Preparation of tariff offer in goods,
- Preparation of specific commitments in services,
- Preparation of commitments in TRIPS and other WTO rules,
- Establishment of enquiry points for services, TBT and SPS
- Establishment of collusion of service providers,
- Development of trade database,
- Purchase of recent trade related books, subscription of online materials and information,
- Experience sharing with recently acceding countries,
- Participation in other countries Working Party meetings,
- Review and update the research works undertaken,
- Undertake new research works,
- Preparation of answers, negotiation briefs etc.
- Advanced training of core negotiators and technical committee members,
- Awareness creation programs,
- Attachment programs,
- Engagement with the business community,
- Preparation of Ethiopian negotiation update news letter etc,
- Implementation.

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