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**ENTERPRISE  
COMPETITIVE-  
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**List of Acronyms**

ARIES	Romanian Association for Electronic and Software Industries
ATIIFTAP	Association of Training Institutions for Foreign Trade in Asia and the Pacific
BAS	Business Advisory Services
BDS	Business Development Services
CEEC	Central and Eastern European Countries
DC	Developed County
DTSS	Division of Trade Support Services
EAR	European Agency for Reconstruction
EC	European Commission
EMDS	Enterprise Management Development Section
ETB	E-Trade Bridge
FIDE	Foundation para la Inversion y Desarrollo de Exportaciones - Honduras
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
ICPS	International Competitiveness Programme for SMEs
ICT	International Communication Technology
ICPS	International Competitiveness Programme for SMEs
ISO	International Organisation for Standardisation
ITC	International Trade Centre
LDC	Least Developed Country
PNA	Product Network Approach
ProCip	Programme for Competitiveness Improvement of SMEs
SME	Small and Medium-Sized Enterprise
SPS	Sanitary and Phyto-Sanitary Measures
TPO	Trade Promotion Organisation
TSIs	Trade Support Institutions
UNIDO	United Nations Industrial Development Organisation
WB	World Bank
WIPO	World Intellectual Property Organization

# 1 Enterprise Competitiveness

This report evaluates some of the International Trade Centre (ITC) products related to Enterprise Competitiveness. According to the *ITC Business Plan 2003-2005*, Programme 4 is *Export Training Capacity Development* and the objective for the programme is stated as follows:

The export training capacity development programme will focus on developing the competencies of enterprise managers to: (1) manage their firms more effectively and efficiently (management competence); (2) become involved, profitably, in exporting (export competence); and (3) take advantage of the competitive opportunities provided by information and communication technologies (e-competence).<sup>1</sup>

The Enterprise Management Development Section (EMDS) is the section with primary responsibility for implementing Programme 4: Export Training Capacity Development. EMDS has a complement of 17 staff (excluding interns) of whom five are external consultants and 12 are permanent staff. During the period 2003-2004, there were 10 projects operational, the major ones being:

- E-Trade Bridge for SME's<sup>2</sup> (USD 2,105,368 to end-2004);
- Human Resources and Enterprise Development in Central America (USD 755,957 to end-2004).

In view of the centrality of the E-Trade Bridge programme to the Section's activities, this is what the Evaluation has focused on in what follows. Also the Evaluation examines the Programme for Enterprise Competitiveness (ProCip), which was recently closed.

The Evaluation has focused on evaluating the goals of the programmes, as stated in the programme documents since the two programmes are clearly in line with the business plan objectives and the overall corporate goals of ITC.

## 1.1 Methodology

The following evaluation and associated comments are based upon documents and information provided by ITC, as well as questionnaires and extracts from the country studies, undertaken by the Evaluation.

The evaluation is based upon the following:

- Interviews with relevant ITC staff;
- Desk study of programme documents;

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<sup>1</sup> ITC: ITC Business Plan 2003-2005, p.21.

<sup>2</sup> Small and Medium-Sized Enterprises

- Review of the Country Study reports;
- E-questionnaires to e-trade partners. The Evaluation has received a response of only nine questionnaires - three from regional hubs and six from partner institutions;<sup>3</sup>
- ProCIP Evaluation Report<sup>4</sup> and other reports;
- Management responses and memos to internal evaluation reports.

Note that the number of respondents for the e-questionnaires is small, but the target group consisting of all ITC partners was small to start with.

This evaluation focuses on the leading two programmes related to Enterprise Competitiveness:

- The Tools of Trade Programme for Competitiveness Improvement (ProCIP) of SMEs (completed late 2003).
- E-Trade Bridge (ETB) (launched late 2002).

The two programmes are interlinked and in principle they cannot be separated as the ultimate goal of each is similar: ‘to improve the international competitiveness, sector and export performance of SMEs in developing and transforming economies with the overall objective of integrating these economies in the international trading system’.

The two programmes support one another and the concepts, methodologies and products developed by ProCIP are also applied by ETB. There is also considerable in house co-operation by EMDS with the Division of Trade Support Services (DTSS) section, Business Advisory Services (BAS) in adapting and developing common products.

Although the ProCIP programme has completed, its impact at institutional and at SME level cannot be fully assessed, as not enough time has elapsed allowing for tangible results to materialise. More importantly no indicators of achievement are in place or a monitoring framework that would facilitate measuring outputs, outcomes and impacts. The only criteria that can be properly assessed are: Relevance, Efficiency and Effectiveness, and to a certain extent, impact at the Trade Support Institution (TSI)/partner level. This reservation applies even more to the recent ETB programme.

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<sup>3</sup>To improve the response rate a second message was forwarded to the e-trade partners.

<sup>4</sup>Mr Leelananda Silva: The Tools of Trade Programme for Competitiveness Improvement (ProCIP) of SMEs INT/W2/07, Evaluation Report October 2003, (Hereinafter referred to as ProCIP Evaluation).

With respect to impacts at the SME<sup>5</sup> level, there is need to acknowledge the role of parameters external to the programme, and the fallacy of attributing impacts at that level directly to the activities of any one programme. The programme is instrumental, in the sense that it is developing managerial skills and facilitating managerial processes to improve SME performance. In so doing, it is contributing to achieving the overall objectives of ITC. However, tangible impact will materialise only if the skills and processes are applied, and external conditions are favourable for the SME's development. The external conditions are, among others, the legal framework and access to finance, integration in the world economy and the competitive level of the SMEs, etc. The Evaluation has not attempted to comment on the external conditions, as this is beyond the scope of the Evaluation and as ITC has no mandate to influence the external conditions. Issues concerning the external environment (risks and assumptions) have been analysed as an integral part of the design; as such, the Evaluation can only conclude that the external conditions are not detrimental to achieving the objectives.

Nevertheless, the Evaluation will formulate some comments with respect to the anticipated impact and sustainability of the two Programmes, ProCIP and ETB. The comments are provided, as the Evaluation finds that the verifiable indicators are either absent altogether or too general; and the monitoring system of ITC is too modest to actually allow ITC to verify impacts, which will only materialise once the programmes are ended. The Evaluation found no evidence that ITC has built up a system that would allow for monitoring impact once the programmes are completed, i.e. formal reporting from partner institutions or direct contacts with SMEs.

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<sup>5</sup> Observing the “business model” ITC is in principle focusing on two levels: (i) governments and their agencies (primary/direct) and (ii) the enterprise level (secondary/indirect). This dichotomy is also found in the first main objective of ProCIP: “To enhance the capacity of SME development agencies to improve the international competitiveness of small and medium sized enterprises”. (Quoted from the management response to the ProCIP Evaluation report). As such, the Evaluation finds there is a risk of mixing up the two levels and that achieving impact at the primary/direct level is only relevant if impact at the secondary/indirect level is achieved.

## 2 Programme for Competitiveness Improvement of SMEs

### 2.1 Programme Description

The concepts and methodologies applied by ProCIP were initiated by the previous ITC programme, International Competitiveness Programme for SMEs (ICPS). Specifically, ICPS developed the Product Network Approach (PNA), which formed the main basis for developing the ProCIP programme. The PNA concept involved intensive interaction between ITC and its partners in product development and product adaptation, where ITC expertise was being matched by expertise at the local level. The approach required local financial involvement in sharing the costs of developing and disseminating the products<sup>6</sup>.

Previous evaluations of ICPS made a number of relevant recommendations, which were included in the design of ProCIP:

- Assured funding over a three-year period of a minimum of USD 3.6 million<sup>7</sup>;
- More emphasis on institution building activities, such as training and research in relation to the tools that were being developed;
- Establishing synergies between and among various programme activities; and
- A greater emphasis on inter-country horizontal networking.

These ideas influenced the design of ProCIP as well as its implementation. Despite the fact that the above recommendations were included in the design of ProCIP, the stop-go funding situation did not allow ITC to fully consider recommendations 2 and 4, above.

ProCIP had two primary objectives:

- To enhance the capacity of national trade support institutions and Trade Associations to enable SMEs to enhance their competitiveness in a globalising market.
- To promote regional, inter-regional and international networks as a means to reinforce institutional capacity and technical know-how.

These objectives were to be achieved through:

- Developing an increasing number of generic tools, adapted to suit country conditions;
- Undertaking training of 400-500 persons in TSIs and SMEs; and
- Consolidation and expansion of networking arrangements, both vertically and horizontally.

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<sup>6</sup> ProCIP Evaluation: Local counterpart contribution has amounted to more than USD 1 million, Page 3.

<sup>7</sup> ProCIP Evaluation: Final funds allocated to ProCIP were a little over USD 1.5 million, Page 9.

### General Comments – ProCIP

SME competitiveness is being addressed through a range of ITC's activities, but most directly through its work with business associations. There has been a marked shift from the late 1990s in the strategy of ITC, as it no longer wants to work directly with enterprises. Up until the mid-1990s, the section now known as EMDS was the Training Section and it carried out direct training as well as institutional strengthening for training institutions.

Generally, ITC finds that their limited financial and technical resources are better utilised working with associations that in turn are responsible for working directly with the enterprises. The rationale behind the shift in the strategy is debatable, as it could be argued that working with associations servicing small and micro enterprises will not bring about the same impact as working with larger companies who can actually compete on the international market.

This strategy is questioned by some donors, i.e. the World Bank (WB), Gesellschaft für Technisches Zusammenarbeit (GTZ), Danida, the European Agency for Reconstruction (EAR) and the European Commission (EC); that are advocating for “picking the winners at enterprise level” unless the associations are able to achieve sustainability<sup>8</sup>. The Evaluation is aware that the Management of ITC finds this not to be the case: Reference is made to the letter to Mr Murray Smith dated 14<sup>th</sup> October 2004 signed by Mr Badrinath.

Evaluations carried out by the above mentioned donors have concluded that support to associations has in many instances proved to have a minimal impact at enterprise level, as the associations are either under funded or focusing on generating income, rather than assisting clients. The main criticism is related to the fact that the developed institutions have not proved to be sustainable once the donor support ceased.

Chronic lack of funds has proved to have a very negative impact on the services that the associations are able to provide, and on their ability to develop their skills and retain qualified staff. Many associations that are quasi or fully public end up competing with private

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<sup>8</sup> “Sustainability (financial sustainability): a Business Development Service (BDS) is sustainable if commercially-motivated revenues are at least as great as the full costs of service provision (direct and indirect costs, fixed and variable costs). Revenues received from the public sector (donors or governments) are not included. Similarly, revenues received as a result of philanthropic or political motivations are not included. Generally, costs should include all those associated with the commercial operation of the provider; in addition to the running costs, these should ultimately include market research, product development, customer feedback, etc. In the short term, however, founders may choose to help with some of these costs, for example where risks are particularly high, to demonstrate the merits of product innovation, or to strengthen a group of service providers. The only costs always excluded would be those associated with the additional requirements of funding agencies, such as the development costs for products shared with other providers and detailed impact evaluations. In this definition, financial sustainability differs from organisational viability in the sense of the ability of the BDS institution or service to continue in existence by drawing on grants and other non-commercial revenues”. (*Business Development Services for Small Enterprises: Guiding Principles for Donor Intervention 2001 Edition, WB*).

Business Development Services (BDS) providers in order to survive; they have a tendency to lower the standard of services offered and delivered. Some donors have, as a result, become reluctant to support associations, as they are neither seen to be competing with the private sector nor supporting a 'level playing field'.

Most of the problems identified above derive from the fact that donors are not interested in long-term commitments. This also applies to the approach of the donors funding ITC projects. One of the conclusions of the overall evaluation of ITC points to the fact that the short-term funding regime is negatively influencing ITC's ability to fulfil objectives that can only be meaningfully achieved over a long-term period.

Developing the capacity of associations to support SME development and directly assisting enterprises are long-term undertakings. Short-term approaches can be counterproductive, as they leave the associations in financially precarious positions, preventing them from delivering quality services to SMEs. Short-term approaches can also lead to a collapse of the BDS structure once donors cease funding operations.

The question is whether ITC is able to commit the organisation on the long-term basis, which is necessary to maintain the PNA that is central to the ProCip programme model.

For the PNA to be effective, sustainable and creative there has to be a longer-term engagement between ITC and local partners<sup>9</sup>.

The present funding regime does not allow ITC to operate on the desired long-term basis, as funding is largely determined by donor policies that are not always in line with ITC priorities. Shifting donor strategies and priorities have a negative influence on ITC's forward planning and ability to enter into long-term commitments.

“The experience of ProCIP has been that funding constraints and a lack of predictability in the flow of funds has muted its potential impact. Even short-term planning, as long as one year, becomes difficult with the type of stop-go financing arrangements that appear to be the current mode. It is imperative that ITC donors recognise the need for funding predictability, to ensure optimal outcomes from their resources. Programmes should not be left languishing, just at the time when they have stimulated interest and are about to spread their wings. There has to be assurance that activities will continue over the medium-term”<sup>10</sup>.

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<sup>9</sup> ProCIP Evaluation, page 1.

<sup>10</sup> Ibid.

“Funding constraints have been a significant problem to the achievement of ProCIP aims. The funding that was available was about half of what was originally envisaged. In the last year, the lack of funding has resulted in a loss of dynamism”<sup>11</sup>.

The donors will need to commit themselves financially for longer periods of time if ITC is to realise its longer-term strategic goals, and achieve impacts and sustainability. But this will also require that ITC is capable of benchmarking and monitoring its programmes in line with agreed performance criteria, in order to substantiate the achievement of intended impacts and strategic goals.

In this instance it has to be mentioned that a strategic goal of ITC was to establish the PNA. ITC has succeeded in doing this and it has proved to be instrumental for the further development of ITC programmes.

However, the financial ability of ITC to maintain the system, further facilitate its development and sustain the results is questionable. While a part of the network should be able to survive by itself, this is not likely to be the case for those networks established in the disadvantaged countries.

ITC will have to ensure that verifiable indicators are developed within the programmes' operating timeframe, or if indicators can only be measured after the programmes completion, that an appropriate monitoring/feedback system is established. The latter would also be in the interest of the TSIs, and would allow them to monitor their performance and to provide relevant feedback to ITC on the development and revision of products. Building in the monitoring mechanism from the onset of the programmes would also mean that the future responsibility of the monitoring and the associated costs would be the responsibility of the TSIs. Failure to bear the costs could itself serve as one indicator.

In addition, the ability of the partners to share the costs of participating in the two programmes should also be considered. This criterion could have a tendency to limit the penetration of ITC's products and services in low-income countries, in the absence of external funding.

The ProCIP Evaluation Report notes<sup>12</sup> that the activities have not trickled down sufficiently to regions and provinces. Bearing in mind that the provincial organisations are the ones in closest contact with SMEs at the provincial level, more attention could have been paid to reaching out to these organisations. While it is fair to assume that the dissemination in-country would be the obligation of the selected partner institutions, ITC could have ensured a broader dissemination by building in dissemination at provincial level, as a precondition for ITC support.

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<sup>11</sup> ProCIP Evaluation, page 4

<sup>12</sup> ProCIP Evaluation, page 10

## 2.2 Programme Content

### Types of Deliverables

Main products of ProCIP were:

- Trade Secrets: the Export Answer Book (and the Reference Guide).
- How to Approach Banks: a guide for small and medium-sized enterprises.
- Secrets of Electronic Commerce: A guide for small and medium-sized exporters.
- International Trade Rules: Business Questions about the World Trading System and the WTO.
- Export Quality Management: a guide for small and medium-sized exporters.
- Trade in Services: an Answer Book for small and medium-sized exporters.
- Exporting Automotive Components; an Answer Book for small and medium-sized enterprises.
- Intellectual Property: a guide for small and medium-sized enterprises.
- Benchmarking tools: International Competitiveness Gauge, The Competitive Edge, The FIT, Benchmarking for Services, The Trade Support Institutions Index.
- Checkers: Export Fitness Checker, E-Commerce Fitness Checker, Transport Packaging Fitness Checker, ISO<sup>13</sup>-9001 Checker.

### Channels of Delivery

Channel of delivery was based upon the partnerships developed between ITC and country level institutions as part of the PNA. All tools should in principle have been developed in co-operation with country partners, but this was not the case for some products, mainly due to lack of cost sharing funds; or the inability of the partner institution to engage in the electronic interaction; or lack of relevant expertise.

Training of TSIs on the generic tools was delivered by ITC on the basis of train the trainers concepts, and training of SMEs was delivered by TSIs or individual consultants trained by ITC.

### Geographical Focus

ProCip had no special geographical focus except developing and transforming economies. Selection of partners (countries) was demand driven, based upon an application from the partner that should have included cost sharing. Selection was to a degree distorted by the fact that some countries were not able to participate.

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<sup>13</sup> International Organisation for Standardisation

The interactive process of consultation, utilising various channels of electronic communication (CD-ROMs, video-conferencing, email exchanges), has affected the choice of countries participating in ProCIP, as some countries were not familiar with the use of electronic communication means.

Least developed countries (LDCs) and countries in Africa have lagged behind in fully exploiting the opportunities of the PNA and the outcomes of ProCIP. This is largely due to institutional and personnel shortcomings of TSIs and Trade Promotion Organisations (TPOs). They appear to be slow in the use of electronic communications and obtaining access to the appropriate websites of ProCIP<sup>14</sup>.

### **Beneficiaries**

The beneficiaries have largely been central TSIs and TPOs in partner countries and more technically advanced SMEs. ProCIP has reached out to a significant number of partner institutions and indirectly to SMEs - some SMEs have participated directly in the training. There is no direct evidence on the outreach to SMEs other than through the comments received in the Questionnaires. ITC should have been (but was not) in a position to obtain this kind of information from the partner institutions to verify impact at SME level.

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<sup>14</sup> ProCIP Evaluation Page 3

## 2.3 Findings and Conclusions

### Relevance

The concept and design of ProCIP was found to be relevant by the previous evaluation and the Evaluation is in agreement with that conclusion. The relevance and importance of the products and services provided is also confirmed by the questionnaires received by the Evaluation.

“The EC Tools and Guides identify those areas that need special management attention to get an enterprise not only export ready, but to improve its competitive stance in general”.

“The goal of ATIFTAP<sup>15</sup> is to help SMEs in the region to be more competitive in the long-term and efficient/productive in the medium-term, if not in the short-term. The tools developed to assess and analyse by ITC will facilitate the process of helping these SMEs.

Secondly, the tools will make the assessment as consistent and as accurate as possible and therefore minimising errors in evaluation. Moreover, the tools provide a reminder on the details of assessment. As a result, our enterprise counsellors are able to act and work more professionally as a result of these tools. We will uniformly be applying these tools and we expect to satisfy and help our clients more effectively. I see that the resulting consistency and thoroughness of our counselling efforts as supported by the tools will encourage more SMEs to seek our help”<sup>16</sup>.

Based upon the response of the partner institutions the Evaluation finds that ultimate beneficiaries (enterprises) will benefit from the products and services that the partner institutions have been equipped with.

### Efficiency

Inputs and resources are found to have been largely delivered within the projected time schedule (with some minor deviations), notwithstanding the considerable shortfall in funding. ProCIP has reached out to more than 100 TSIs and has proved to be a cost-efficient channel of developing and establishing, and maintaining contact with TSIs. Through the established vertical network around 100 tools have been adapted. In the horizontal plane across countries, however, ITC has only been able to stimulate a modest degree of networking.

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<sup>15</sup> Association of Training Institutions for Foreign Trade in Asia and the Pacific

<sup>16</sup> Comments from ProCIP questionnaires.

With rather limited financial resources, ITC has also managed to implement quite a substantial number of activities with considerable efficiency. In house co-operation and co-ordination has also enabled ProCIP to reach out to a number of countries, which otherwise could not have been targeted.

ITC has also been able to establish collaboration with ISO, World Intellectual Property Organisation (WIPO) and United Nations Industrial Development Organisation (UNIDO) on the development of guides and checkers. This has contributed to a more efficient use of limited resources; and has formed the basis for future collaboration, which is valuable for ITC as a means of developing and being able to provide a broader spectrum of services.

Generally, it can be concluded that ProCIP has been very cost-efficient and despite the serious shortfall in funding has been able to reach most of its intended outputs. However, it has to be mentioned that the shortfall has led to loss of dynamism; and to considerable disillusion at the country level, which has had a negative impact on the efficiency at the later stages of the implementation<sup>17</sup>.

**Effectiveness**

The Evaluation finds that the general effectiveness of ITC activities lacks consistency as effectiveness varies from high to low.

The evidence of the country reports (interviews with TSIs) suggests that training activities are too concentrated over too little time, and that information and data used should be updated more. Time was in general insufficient. Training evaluation ranges from very poor to very excellent. If this is representative of the training delivered by ITC there is a problem with respect to maintaining a consistent quality of the training delivered. This evidence is contradicted, however, by the questionnaires received, on the basis of which the Evaluation concludes that the training has been very effective and well received.

**Figure 2.1. Effectiveness of ITC Training**

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20 respondents registered (100% from 20)			
Very effective		14	70%
Adequate to good		6	30%
Not effective		0	0%
Received no training		0	0%
Total		20	100%

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<sup>17</sup> ProCIP Evaluation, page 4.

The effectiveness of product development has been variable. For some products there has been a high quality and intensity of interaction, whereas for others the preparation has been done without any interaction<sup>18</sup>.

### **Impact**

The ProCIP Evaluation concluded that at the institutional level capacity has been built at TSIs<sup>19</sup>. The Evaluation would tend to agree with this conclusion, but proof is not possible, as indicators and outputs of the programme document do not allow for a quantitative assessment and there is no later documentation to substantiate the conclusion.

“To evaluate ProCIP on the basis of the success indicators in the programme document is not practical. Even the outputs in the document, although not to the same extent as the success indicators, lack the kind of precision required to measure results quantitatively<sup>20</sup>.”

The PNA model has been developed and validated and proved to be a cost-effective approach to capacity building. Horizontal and vertical networks have been developed as well as informal networks; and ITC has been able to expand its “clientele” to non-state bodies.

ITC has unintentionally been instrumental in developing local networks and expertise among local institutions, which lie outside the formal scope of ProCIP. Local institutions have to a certain extent duplicated the PNA model at national level, hence creating local networks and expertise, which were not part of the formal ITC-partner co-operation.

All in all, ProCIP has had a significant impact at the institutional and networking level, but at this point in time, there is no data to substantiate the impact at SME level. No formal SME surveys have been carried out; but judging from the questionnaires responses, the products and training received have enabled the TSIs to improve their delivery and competitiveness, and to assist SMEs.

On that basis, the Evaluation finds that it is reasonable to assume that ProCIP will have a positive impact at SME level.

In general, the Evaluation finds that concerning benchmarking, there is a need for ITC to upgrade and revise its present activities; the ProCIP Evaluation also previously recommended this.

“The approach to benchmarking needs to be modified. The FIT should be continued, with support from the relevant Division. ITC should explore cost-effective and affordable

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<sup>18</sup> ProCIP Evaluation, page 12.

<sup>19</sup> ProCIP Evaluation, page 3.

<sup>20</sup> ProCIP Evaluation, page 8.

methodologies for benchmarking for developing country SMEs, in place of the benchmarking models and practices of developed countries”<sup>21</sup>.

**Sustainability**

The sustainability of the ITC activities in this area is fundamentally related to the survival and continued delivery by partner associations of support to the TSIs. This means that in some cases ITC interventions will be sustainable, in others they will not. As such, this issue could be considered to be outside the scope of ITC, as they can hardly influence the sustainability of these associations unless they are providing support on a long-term basis, which of course is unrealistic. On the other hand, both the previous evaluation report and the country reports find that continued support is needed in order to ensure sustainability.

One way of looking at the sustainability issue is the follow-up activities of ITC. Most questionnaire respondents find that the ITC follow-up activities are rated as “good” to “very good”. Only 15% find that they are inadequate. On that basis, it can be argued that ITC is facilitating sustainability; however, there is no clear evidence of a more consistent and coherent approach to ensuring sustainability.

**Figure 2.2. ITC Follow Up Support**

Very good		8	40%
Good		9	45%
Inadequate		3	15%
Total		20	100%

In view of the range of tools developed under ProCIP, the Evaluation is concerned that ITC does not have the financial nor technical resources to further develop the tools. For instance, with respect to the benchmarking tools the previous evaluation found that sustaining these benchmarking facilities would require that ITC would need to allocate both financial and staff resources, which at the time of the evaluation was not forthcoming<sup>22</sup>.

This Evaluation has found no indications that ITC has been able to provide predictable financial and staff resources as recommended by the previous Evaluation. In order to compensate for the lack of financial and staff resources, different divisions of ITC are now collaborating in order to sustain the tools, which is highly commendable. On the other hand, the apparent lack of funds prevents ITC from promoting the products to a wider audience as well as revising and updating the guides on a more continuous basis.

<sup>21</sup> ProCIP Evaluation, page 5.

<sup>22</sup> ProCIP Evaluation, page 4.

The above comments seriously question the ability of ITC to maintain the PNA and to sustain revising, refining and adapting tools; as well as marketing the tools to a wider audience without a secure long-term funding. Fees generated from sales of products, tools, etc. will not be able to sustain the activities; and in many cases, they are found to be a prohibiting factor for the further dissemination of the tool and products. Hence, funds will have to be secured from donor sources either at ITC or national level. There are some indications that donors are willing to finance local activities linked to ITC's programmes, although it is more doubtful that donors will be willing to allocate funds on a long-term and a more general basis.

Since ITC is under pressure to generate own income, further focus on the ability of ITC to be able to finance its own activities, publications, tools, etc. will invariably have a negative impact by excluding LDCs from benefiting from the activities of ITC. If political ambitions would lead to increasing ITC service and product fees, the geographical scope of ITC would have to be adjusted accordingly.

## 3 E-Trade Bridge

### 3.1 Programme Description

The E-Trade Bridge (ETB) for SMEs' programme draws heavily on ITC's experience with ProCIP, plus consultations with businesses, partner institutions, governments and country practitioners. It comprises a series of tools, decision support systems, materials and practical guides developed and adapted to national conditions. The tools and materials are made available to SMEs through a network of regional/sub-regional and national multiplier organisations. The ETB programme requires cost sharing<sup>23</sup> as did ProCIP. The programme is modular in order to be adapted to specific national environments and needs, and it encompasses 15 building blocks.

The aims of the Programme are:

- Improving the E-readiness of SMEs to improve their competitiveness;
- Assisting enterprises and the multiplier organisations and governments to better understand the new International Communication Technology (ICT) based tools and services; and
- Building capacities to apply them in day-to-day business to improve international competitiveness and trade prospects.

The Programme has three thrusts:

- a) E-Products and Services: A portfolio of products and services enhancing the e-competence of SMEs for international competitiveness.
- b) E-Network and Market Place Building: Mechanisms to strengthen institutional capacities of facilitators and multipliers to disseminate the E-products and services by building national, regional and sub-regional hubs and networks.
- c) Building Versatile Modes of Delivery: Versatile mechanisms to foster interaction, and technical cooperation between ITC and regional/national centres and among the participating countries for E-facilitated trade development.

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<sup>23</sup> ETB counterpart funds committed so far is approximately USD 0.50 Million and another USD 0.25 million are in the pipeline.

## 3.2 Programme Content

### Types of Deliverables

The deliverables are:

- Guidelines for Partner Institutions.
- Guidelines for the Kick-off Meeting.
- Guidelines for Assessing Country e-Preparedness.
- The Winning With the Web (WWW) component – best cases.
- E-Business Resource DVD and Book.
- The Verifying Business Strategy e-tool.
- The Designing Promotions e-tool.
- The Purchasing and Expediting e-tool.
- AuditSME.
- DemandSME.
- Needsme.
- PlanSME-I and II.
- E-preparedness Reports.
- E-Maps, E-Balance Sheets and Action Plans.
- Training courses and workshops.

### Channel of Delivery

The principal mode of delivery is workshops and training sessions.

The programme is modular, which (in principle) enables ITC to cater to the needs of partners in a flexible way. Interested partners can choose from the different components of the programme and adapt/utilise them to their needs and means. As such the activities in any one country can vary from those in any other.

### Geographic Focus

There is no particular geographical focus while the country focus is on both Developed countries (DCs) and LDCs. The intention is to support regional hubs in Latin America, Africa, Central and Eastern European Countries (CEEC) and Asia.

More attention should have been paid on how to ensure that LDCs could benefit from the ETB, or a special programme component could have been developed to cater for the specific needs and capabilities of LDCs. According to the ProCIP Evaluation, few LDCs have been able to participate in ProCIP<sup>24</sup>; this questions the ability of LDCs to be engaged

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<sup>24</sup> ProCIP Evaluation, page 9.

in ETB and advocate for and facilitate the use of e-trade. The Management Response to the ProCIP Evaluation highlighted this issue and as such, it should have been considered while designing ETB. However, this does not seem to have been the case, as the principles and mode of delivery are identical regardless of whether it is a DC or an LDC.

“With six years’ experience of ICPS/ProCIP and the PNA, one important conclusion is clearly evident. The PNA is more effective in the more advanced developing countries and in transition economies than it has been in LDCs..... Most LDCs - with the exception of Bangladesh - do not have the kind of financial and technical capacities demanded through the PNA and have therefore lagged behind, unless there have been interventions through other projects to provide financial support. Undoubtedly, SMEs and TSIs in these LDCs can benefit from PROCIP tools. An urgent task for the future is to facilitate access to these tools without necessarily linking them to the PNA, as originally envisaged. There may have to be a graduated process for these LDCs”<sup>25</sup>.

“The evaluation also observes that the least-developed countries and countries in Africa needed more attention, as the PNA tends to engage IT savvy countries more easily. Lack of electronic media has inhibited full use of ProCIP tool/services in some countries (notably in Africa)”<sup>26</sup>.

“One area which needs particular attention is the use of technology and the capacity of LDCs to fully implement ProCIP by digital means..... Neither systems nor hardware is consistently available to support ProCIP. The concept of a ‘one programme, two systems’ approach would need to be considered in any future programme”<sup>27</sup>.

It could be argued that this is also the case with respect to SMEs in DCs. The country reports of India, Tanzania and Vietnam point out that the usage of ICT at end users level is limited to more advanced SMEs.

In general it is questionable that LDC institutions will be able to facilitate e-trade and assist SMEs with developing e-competencies when they apparently lack both the skills and technical infrastructure. As such, ITC could have applied a different and more qualified selection of partners instead of leaving it to being so demand driven.

### **Beneficiaries**

The main beneficiaries are partner institutions (multipliers), individual consultants and secondary SMEs.

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<sup>25</sup> ProCIP Evaluation, page 14.

<sup>26</sup> Management Response, page 4.

<sup>27</sup> Ibid.

### 3.3 Findings and Conclusions

#### Specific Comments – E-Trade Bridge

Given the general lack of trade skills and competences in many LDCs, a concerted effort to develop such skills in order to improve LDC competitiveness does appear necessary. It is also relevant to ask if the present management skills in LDCs are sufficient to take advantage of e-based management tools. The overall aspect of competitiveness improvement includes the aspects of e-based trade. The Evaluation is aware of the comments of the ITC management to Mr Murray, dated 14<sup>th</sup> October 2004, that ETB is not about e-trade. However, the Evaluation fails to see how this issue is irrelevant when focusing on competitiveness. The overall aim of improving competitiveness is to be able to improve the market position of any given company and its ability to trade more products and services. Hence, enhanced managerial and international trade skills form the basis for applying and exploiting e- market opportunities.

What does not seem to have been taken into account is the lack of an appropriate ICT infrastructure in many of the partner countries. Certain partner countries clearly lack the overall ICT policy and financial ability to develop an ICT infrastructure that would enable the enterprises to engage in e- related transactions or communications. Some of these countries are not in a position to address the digital divide without substantial external financial and technical assistance, which is beyond the resources of ITC.

An additional constraint in many of these countries is the legal framework. The legal framework in many LDCs does not provide a legal base for e-based transactions and quite often there is no legislation related to ICT. This clearly undermines the interest of enterprises to use e-based tools to strengthen their management and competitiveness. While the legal framework *per se* lies outside of the scope of the ETB programme<sup>28</sup>, ITC has produced an E-commerce legal kit, which could have been integrated into the programme with activities extended to cover other legal aspects of the IT sector.

Other obstacles include:

- Governments' control of the access to the national ICT infrastructure. Enterprises have to go through cumbersome procedures in order to get access to Internet and e-mail accounts with limited capacity.
- A limited number of Internet providers with monopolistic and overpricing practices. The high cost of telecommunications and Internet access also constrains the optimal use of e-technologies.

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<sup>28</sup> In the letter to Mr Murray Smith dated 14<sup>th</sup> October 2004 it is argued that this is outside the mandate and expertise of ITC. This statement should be seen in contrast to the fact that ITC is developing legal guides and kits; as such, they have expertise and experience related to the legal area.

These and related issues need to be addressed or ITC interventions will prove to be partially successful in the sense that while they might lead to increased e-skills, they will not lead to increased competitiveness or to closing the digital divide.

None of these issues are addressed directly<sup>29</sup> by the programme; as such the Evaluation finds that it can be argued that the final outcome and sustainability of the programme is largely determined by external factors outside the scope of the programme.

In addition, the selection of countries to be included in the programme is not based upon any predetermined criteria linked to factors such as: number of telephone lines (landlines and mobile), number of computers, number of internet providers<sup>30</sup> and country ICT strategies. Most of this information is readily available, and could have been used to determine if it was worth undertaking a study on e-preparedness of any particular country. For some of the countries involved in the programme, there is limited near-term scope (within and beyond the lifetime of the programme) to develop e-trade, and the funds could have been better deployed following up on countries with a more obvious potential. Comments contained within the ProCIP Evaluation make it clear that certain countries will not be able to benefit from the ETB.

“The experience with ProCIP over the last four years affirms an emerging perspective that it is the more advanced and technically sophisticated among developing countries and economies in transition that have benefited largely from this type of programme. The PNA, in its pure form, which includes extensive resource sharing (technical and financial), appears largely to be relevant to the more advanced countries. They are the ones with technical capacities and also with some degree of ability to undertake cost-sharing activities”<sup>31</sup>.

This experience is not found to be adequately reflected in the design of the ETB programme, as the ETB is following the same principles of application, cost sharing and modularity.

“The programme aims at creating impact in as many partnering countries as possible. The modularity of the programme will enable ITC to cater to the needs of DCs and LDCs in a flexible way”<sup>32</sup>.

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<sup>29</sup> They are described as part of the E-preparedness reports in the corresponding actions plans. However, ITC follow up and involvement in unfolding the action plans is virtually non-existent, which invariably will have serious implications for the e-trade activities. Moreover, there is no clear indication that ITC is monitoring the progress of the action plans. The Evaluation has been informed by the department that they do – but solid evidence has not been presented.

<sup>30</sup> In addition, there is no explicit evidence that the selection of the individual countries is contributing to the relevance, impact, efficiency and sustainability of the programme.

<sup>31</sup> ProCIP Evaluation, page 9.

<sup>32</sup> ITC: Programme Document, page 4.

The ProCIP Evaluation findings do not support the view that a modular approach will address the technical and financial shortcomings of some countries; it will merely lead to preventing them from participating.

In general, it can also be said that ITC's increasing use of ICT based tools in the delivery of its services could become a limiting factor in reaching a large segment of its stakeholders, especially in LDCs and in countries with a limited ICT infrastructure.

The findings of the Evaluation are presented below following the five evaluation criteria.

As noted above, the two criteria, impact and sustainability, can only be evaluated based upon the above assumptions and comments related to the design and delivery of ETB. Accordingly, the comments are subjective.

## 3.4 Evaluation

### Evaluations Criteria

#### *Relevance*

The relevance is obvious as most countries have expressed their interest in developing their ICT related services to the SME sector – raise awareness and be engaged in e-trade. This is also confirmed by the country reports where relevance is scored relatively high.

“The e-Tools and Guides that the ITC provides FIDE<sup>33</sup> with are very useful and important tools to raise e-awareness in the country since at present there are very few initiatives doing so in Honduras”<sup>34</sup>.

However, *as argued earlier*, some countries are not ready to accept the challenge to develop the overall ICT framework and infrastructure facilitating e-trade. This could be argued for some of the target countries like Kyrgyzstan, Kazakhstan, Cambodia, Tajikistan, Turkmenistan and Uzbekistan; where the ITC infrastructure is under developed, the political will is limited, and financial resources are scarce for developing the ICT sector. For other target countries like Turkey, the Philippines, India, South Africa and Vietnam the potential for developing e-competencies and e-trade is more evident.

Nevertheless, *even in* a country like India, renowned for *its* fast growing ICT sector, most people and *businesses do not have access to IT*. The figures for connectivity of telephones, Internet and PC ownership is below 1% of the population. Moreover, the system is flawed, unstable and insecure and this is preventing enterprises from using e-means. With respect to Vietnam, there are divergent views regarding the relevance and usefulness of e-based initiatives. The concerns are related to the framework and structure, which are not yet in place, and the low penetration of ICT at enterprise level.

On the other hand, it might be argued that despite the infrastructural barriers, e- and the use of IT is seen as a way of promoting goods and services to an international audience, and to create contacts. Again there seems to be differences between countries and their ability to take advantage of the products and services offered by ITC. This goes back to the question about demand driven and efficiency, which are not necessarily complementary.

In general the products and services provided by ITC are found to be very relevant – this is backed up by the limited questionnaire response received.

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<sup>33</sup> Foundation para la Inversion y Desarrollo de Exportaciones - Honduras.

<sup>34</sup> Comment ETB Questionnaires.

***Efficiency***

It is difficult to evaluate the efficiency of ETB in global terms, as the programme is very different from country to country. In some countries, the only outputs have been a report on e-preparedness and a workshop; in other countries, there have been considerably more activities.

In general terms, the efficiency of the delivery of ITC's services is satisfactory with most stakeholders expressing their general satisfaction with the quality and timing of inputs. In a few cases, stakeholders have reported that inputs were not delivered on time but this was overall a minor problem. Judging from the questionnaires, the delivery of follow-up activities is also satisfactory with a few reservations.

The above picture is broadly confirmed by the country reports. On the one hand, some stakeholders (e.g. in Kenya and Vietnam) report some dissatisfaction with the lack of follow-up support from ITC, while on the other hand; others (e.g. Turkey and the Philippines – which are designated hubs) report that they find the follow-up support to be good to very good.

On the basis of information provided by ITC, quite a substantial number of outputs have been delivered; this is verified by the various country studies. Most outputs have been delivered in time and in accordance with the implementation plans. In general, the efficiency of ITC's products and services are found to be satisfactory.

***Effectiveness***

From the information provided by ITC, there has been no follow up to the e-preparedness reports prepared for a large number of countries; this is confirmed by the country studies. While the next logical step would have been the launch of a kick-off workshop, the information provided does not indicate if that step is intended to be implemented.

While the country study reports suggest that effectiveness is not satisfactory – ITC cannot bear full responsibility for the poor target delivery at national level since this is the responsibility of the national partners. On the other hand, there is a lack of monitoring and follow-up from ITC, ensuring that targets are met in order to have the right impact and achieve sustainability.

Questionnaire responses give the impression that partners are quite positive and generally very satisfied with the effectiveness of the activities carried out by ITC. However, these answers are from partners that have received substantial inputs from ITC, which might lead to the conclusion that ITC is more dedicated when it comes to “bigger fish than small fry”.

The overall impression of the Evaluation is that the effectiveness of the delivery of ITC is acceptable but leaves some room for improvement.

### *Impact*

The impact of the ETB programme cannot yet be meaningfully evaluated since the actual impact on e-trade, digital divide and competitiveness will only materialise and be visible within the next five to ten years. In order to do a meaningful evaluation, information from partners and regional hubs is needed, in order to learn how they perceive<sup>35</sup> the impact. To that effect, questionnaires were sent out but unfortunately very few responded.

Judging from the comments that have been received, it is evident that partners do have high expectations with respect to how their capacity and future earning potential will be impacted.

“Professional performances of ARIES<sup>36</sup> could be improved directly by the supplying of several new consultancy and audit services, based on the competences and expertise achieved within the project. Financial performance could be improved by a new delivery system of the services, above mentioned, in pay-on mode, at attractive prices”.

”The TPOs become more professional in their services to SMEs and can generate income by providing new types of services since institutional efforts are needed by SMEs”.

“The e-Tools and guides will enhance the capacity of our Institution in the delivery of the training, consultancy and counselling programmes. As we shall deliver the training, counselling and consultancy services at a pay, our centre will be guaranteed a sustainable income for its operations”<sup>37</sup>.

The stated intention of creating an impact in as many partner countries as possible<sup>38</sup> may be at odds with the overall impact of the programme: it is doubtful that preparing reports and holding workshops<sup>39</sup> (the main activities carried out in a number of partner countries) will have any lasting impact on the e-skills and subsequently on the competitiveness of the SMEs in those countries.

The Evaluation’s major concern is that the aim of creating a general impact could divert attention and resources from the three pilot countries, and the technical assistance to be offered to facilitators and multipliers in selected countries that could have a real impact.

On the basis of the country reports, the impact has been rather limited and this may bring into question the overall approach of using a modular approach with single standing activities, as individual activities may not produce the anticipated impact at national level.

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<sup>35</sup> At this stage it can only be a perceived impact as tangible impact will be rather minimal.

<sup>36</sup> Roman Association for Electronic and Software Industries

<sup>37</sup> Comments from ETB Questionnaires.

<sup>38</sup> ITC: Programme Document, page 4.

<sup>39</sup> This is not the case in all the countries where an e-preparedness report has been prepared. The next logical step is to hold a workshop to discuss and present the findings and the proposed action plan.

Several partner associations have claimed that they cannot see the limited activities having any impact. This observation is reinforced by the fact that partner institutions that have received a more comprehensive package report that the programme is having an impact.

### ***Sustainability***

In principle it is far too early to say anything about the sustainability of the programme activities. Alternatively, it can be argued that delivering minor inputs like reports and workshops on e-preparedness is not contributing to achieving sustainability – in that sense, it would be unfair to assume that these activities should or are intended to contribute to sustainability of the programme, as they are conceived as being initial and need to be followed up.

What should contribute to achieving sustainability is the capacity building and transfer of skills. The effect of such activities cannot be evaluated at this point as most of the training has been carried out recently.

On the evidence of the field reports, the “minor” ETB activities will not contribute to achieve sustainability. The questionnaires received suggest that the training and capacity building activities will contribute to achieving some sustainability in the long run. However, most of the sustainability will be related to the actual survival of the partner associations, some of which are assuming that the new tools and skills transferred by ITC will bring about considerable additional income.

Generally, the sustainability issue is too early to determine, and it is evident that it will be positive in some countries but negligible in others.

### **Individual and Overall Scores for E-Trade Bridge**

Summarised below are the individual and average scores as presented in the country reports. Relevance, efficiency and effectiveness are rated relatively high for both programmes, whereas impact and sustainability is rated considerably lower. It is also evident, comparing the individual country scores that the programmes are doing better in some countries and poorer in others, i.e. the score of ETB in India is rather low, whereas the score in Kyrgyzstan is above average.

**Table 3.1: Ratings from Country Studies for E-Trade Bridge**

Country	El Salvador	Kyrgyz	India	Kenya	Vietnam	Average
Relevance	3.0	4.0	2.0	3.0	3.0	3.0
Efficiency	3.0	2.0	2.0	3.0	2.0	2.5
Effectiveness	2.0	2.0	1.0	3.0	2.0	2.0
Impact	--	2.0	1.0	2.0	2.0	1.75
Sustainability	--	2.0	1.0	2.0	2.0	1.75

## 4 Recommendations

It is recommended that ITC demonstrate a more pragmatic and consistent follow-up approach, ensuring that previous activities are followed up and contacts are maintained with contact points<sup>40</sup>. Without any consistent follow-up there is a considerable risk that the impact and sustainability of ITC activities will be limited. Bearing in mind that ETB is developed as a modular approach as well as a stand-alone intervention, ITC has to make sure that its partners are fully aware of what they will get and what they will not get. It is the impression of the Evaluation that expectations of some of the partners and ITC are not synchronised. Moreover, it is critical that the timing of planned follow-up activities is delivered according to the agreed time schedule, as delaying the delivery will influence the impact and outreach negatively as well as lose the momentum created.

It is recommended that ITC monitor more closely what its partners are doing in order to “spread the gospel” and explain very carefully to partners what they can expect from ITC<sup>41</sup>.

ITC will have to consider how effective it is developing e-preparedness reports without any further follow-up.

The ETB programme should have incorporated verifiable indicators on how to monitor the impact of the programme. It is recommended that a monitoring system be arranged with the hubs, which would give a clear indication of the impact of the programme and feedback in order to develop new products and improve existing ones.

It is recommended that ITC carefully screen its partners before engaging in the transfer of knowledge and capacity building to assess if the associations are in a position that will allow them to develop and service the SME sector in the future.

It is recommended that ITC have a closer look at what causes the differences in programme implementation between the individual countries. The basic problem is that the E-Trade Bridge programme is new, and evaluation of impact and sustainability is necessarily speculative.

Bearing in mind that one of the main conclusions of the overall evaluation of ITC points to the fact that the short-term funding regime is negatively influencing ITC’s ability to fulfil objectives that can only be meaningfully achieved over a long-term period, the Evalua-

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<sup>40</sup> This is also the conclusion of the ProCIP Evaluation, page 11.

<sup>41</sup> From interviewing the Vietnamese partner for ETB, it is evident that the expectations of the Vietnamese partner have not been met. In fact they are quite disappointed, as they have expressed their willingness and interest to cooperate closely with ITC, but so far in vain. The Evaluation understands from conversation with ITC that there are certain internal problems in Vietnam that need to be solved before ITC can engage itself. Having interviewed the partner institution and knowing the situation in Vietnam, the Evaluation fully appreciates the position of ITC.

tion recommends that donors commit funds on a longer term basis i.e. at least over a three-year period.

In order to substantiate the impact at enterprise level, the Evaluation recommends that ITC in co-operation with selected partner institutions carry out SME surveys. The bulk of the work and the costs will have to be borne by the partner institutions. SME surveys will provide instant information on the relevance of the products and their potential impact. The survey will also enable ITC to benchmark the performance of the partner institutions in terms of delivery, number of client and client responses that in turn will provide ITC with information on emerging needs.

Concerning benchmarking, there is a need for ITC to upgrade and revise its present benchmarking activities and to apply a more systematic approach to benchmarking. In principle, benchmarking and monitoring should be an integral part of all ITC programmes.

ITC products, like checkers and guides, are highly valuable and have multiple uses; as such they could be promoted to a wider audience including NGOs and higher learning institutions.

Bearing in mind the demand driven approach of ITC, due reflection will have to be paid to the ability of LDCs to pay for the services and products of ITC when designing future programmes. This principle also applies when selecting partner institutions from LDCs.

A majority of partner institutions in LDCs are not able to meet the financial requirements of participating in the demand driven activities of ITC. Hence, the demand driven approach should be redesigned or made more flexible to allow LDCs to participate in the programmes, despite their limited ability to provide counter funds. If the limited financial ability of the LDCs is not considered while designing ITC programmes, they will, by default, be excluded from using ITC services and products.