

# **Aid for Trade: Removing Constraints to Trade, Enabling Inclusive Growth and Supporting Poverty Reduction**

**Lessons for Policy and Programming from Five Case Studies**

**Synthesis**

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## List of acronyms

AFD	French Development Agency
AGOA	African Growth and Opportunity Act
AIDS	Acquired Immunodeficiency Syndrome
ALAFA	Apparel Lesotho Alliance to Fight AIDS
CCA	Causal Chain Analysis
BCI	Better Cotton Initiative
BERR	Department for Business, Enterprise and Regulatory Reform (DFID)
BMZ	German Federal Ministry for Economic Cooperation and Development
CGE	Computable General Equilibrium
COMESA	Common Market for Eastern and Southern Africa
CMiA	Cotton Made in Africa
CSR	Corporate Social Responsibility
DCCS	Duty Credit Certificate Scheme (SACU)
DFID	UK Department for International Development
DRC	Democratic Republic of Congo
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EC	European Commission
ECOWAS	Economic Community of West African States
ECX	Ethiopian Commodity Exchange
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
ESA	East and Southern Africa
EU	European Union
GDP	Gross Domestic Product
GTZ	German Technical Cooperation
HDIA	Human Development Impact Assessment
HIV	Human Immunodeficiency Virus
Hivos	Humanist Institute for Development Cooperation
IEA	Integrated Economic Analysis
IF	Integrated Framework
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
ITC	International Trade Centre
LDC	Least-developed Country
LNDC	Lesotho National Development Corporation
LOCP	Lango Organic Cotton Project
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MFA	Multi-Fiber Arrangement
MoC	Ministry of Commerce (Cambodia)
NGO	Non-governmental Organisation
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PIA	Poverty Impact Assessment
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
PTB	Physic-Technical Institute (GTZ)
RTFP	Regional Trade Facilitation Programme
SACU	Southern Africa Customs Union

SADC	Southern African Development Community
Sida	Swedish International Development Cooperation Agency
SME	Small and Medium Enterprises
SWAp	Sector-wide Approach
TRA	Trade-related Assistance
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNDP	UN Development Program
UNIDO	UN Industrial Development Organization
USAID	US Agency for International Development
WTO	World Trade Organization

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## Executive summary

‘Aid for Trade: Promoting Inclusive Growth and Poverty Reduction’, funded by the UK Department for International Development (DFID) and the Swedish Ministry for Foreign Affairs and commissioned on behalf of European Union (EU) Member States to support the rollout and implementation of the EU Aid for Trade Strategy, aims to strengthen the pro-poor focus and quality of EU Aid for Trade implementation by further developing the ways in which key stakeholders understand and act on the linkages between trade, inclusive growth and poverty reduction.

This paper synthesises findings and lessons from a set of five case studies on Aid for Trade initiatives. These case studies, and this synthesis, were developed in response to a clear demand, from EU Member States, on the need to harness evidence on Aid for Trade programmes and projects that have expanded trade while promoting inclusive growth and poverty reduction. The case studies and this synthesis paper seek to:

- Provide evidence, through country- and sector-specific case studies, of how Aid for Trade can build trade and export potential, while contributing to inclusive growth and poverty reduction; and
- Draw lessons from these case studies about how to design and implement Aid for Trade strategies and programmes to support trade expansion alongside inclusive growth and poverty reduction.

## Cambodia Trade Sector-wide Approach

Through the Trade SWAp, the government of Cambodia is seeking to integrate trade policy into a broader development and poverty reduction agenda. It represents a framework for channelling Aid for Trade resources to enable pro-poor growth through trade development. The process towards realising the Trade SWAp is a good example of aid effectiveness linked to trade in practice. What is particularly unique is the way that the dual goals of increasing export potential and poverty reduction have been pursued. This highlights how trade and development objectives can be pursued at country level, which we can anticipate will contribute to both trade expansion and trade-supported poverty reduction. The integration of Human Development Impact Assessments (HDIA) into Cambodia’s Diagnostic Trade Integration Study (DTIS) is a strong example of this. The integration of this analysis into Cambodia’s DTIS and broader trade strategy demonstrates how considerations of poverty and social impact can inform trade policy decisions.

## Regional Trade Facilitation Programme

The vision of RTFP is ‘making it easier and quicker for businesses to trade between countries in Southern and Eastern Africa so that economies in the region become more competitive and people benefit through job creation and increased wealth’.<sup>1</sup> It has components that are considered to be innovative Aid for Trade programmes and has been engaged in pioneering work to develop and implement a regional approach to TRA. It is a wide-ranging, multi-component initiative that engages with all five Aid for Trade categories. The programme has adopted a highly flexible, demand-driven approach, one which has enabled it to respond to specific requests of regional counterpart organisations and capitalise on opportunities arising during the course of the project. We can anticipate that the programme will contribute significantly to improvements in trade by reducing a range of constraints to trade. We can also anticipate that it will support typically poorer trading groups – such as women, informal traders and micro-entrepreneurs – to increase the

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<sup>1</sup> [www.rtfp.org/](http://www.rtfp.org/).

benefits they derive from trade. Moreover, RTFP's role in supporting African countries and regional groupings will also support positive trade and poverty outcomes.

### **ComMark's Lesotho Textile and Apparel Sector Programme**

The Lesotho Textile and Apparel Sector Programme specifically aims to improve both the level of investment and the competitiveness of Lesotho's garment sector so that it benefits the poor by creating formal job opportunities. The four key components are technical advice; a training scheme; Apparel Lesotho Alliance to Fight AIDS (ALAFa); and trade negotiation support. The poverty impacts have significant potential given the high proportion of female employment in the sector (85%), as well as the large portion of employees with HIV/AIDS (estimated 43%), and its important contribution to GDP (19%). Additionally, for every job created on average four dependents benefit from an increase in household income. Aid for Trade programming has also helped Lesotho maximise gains from trade preferences for inclusive growth and poverty reduction and reduce dependence on time-bound trade preferences. However, Lesotho's textile and apparel industry remains in a precarious position, as attempts to diversify have seen limited success and reliance on the US market renders the sector vulnerable. Erosion of trade preferences is also likely to undermine the sustainability of the positive trade and poverty impacts.

### **The Ethiopia Trademarking and Licensing Initiative**

The Ethiopian Trademarking and Licensing Initiative aims to increase Ethiopia's coffee export income while ensuring a higher and more predictable income for Ethiopian coffee farmers and their households. To achieve the latter, it enables farmer to capture a larger *share* of the final retail value of their coffee and a more stable and predictable price for their coffee. Given high levels of poverty among the producers of high quality Ethiopian coffee, and increasing demand and retail prices for speciality coffee, this initiative is well positioned to have strong trade and poverty reduction impacts. It demonstrates how Aid for Trade has the potential to support positive trade and development outcomes simultaneously. There is some preliminary evidence of trade and poverty impact. However, the impact of the initiative should be closely monitored, so there is more clarity on the scale of benefits that can be generated by this scheme, what the costs are per beneficiary, whom the initiative benefits (i.e. disaggregated impact analysis) or how sustainable the project will be following the withdrawal of donor funding. This project suggests that the right set and sequence of investments and interventions can deliver improved transparency in the value chain, reduced transaction costs for producers and enhanced farm-gate prices. All of these need to be set against dangers of costly institutional mechanisms and exclusionary structures.

### **A comparative analysis of three cotton sector programmes**

This case study compares two initiatives aimed at the mainstream cotton market, Cotton Made in Africa (CMiA) and the Better Cotton Initiative (BCI), with an organic cotton project, the Lango Organic Cotton Project (LOCP). Given the importance of cotton production to trade in Africa, as well as the poverty profile of African cotton growers, the cotton sector represents a sound entry point for Aid for Trade programming. This case study demonstrates how different market approaches can be taken to supporting sustainable cotton production in Africa: in the case of CMiA and BCI the costs of the schemes are incurred by retailers, who are motivated by factors related to cotton supply and corporate social responsibility (CSR). In the case of organic cotton certification, while the cost of certification is typically incurred by the farmer, here we find the costs covered by LOCP. The impact of these programmes on cotton yields and farmers is positive: for example, CMiA's programme in Zambia supported an 85% increase in return on family labour in 2006/07.

## Lessons for Aid for Trade programming

These cases studies highlight the fact that Aid for Trade can support trade expansion *and* poverty reduction. The following are the lessons learned from the case studies and recommendations generated for Aid for Trade programming.

- The importance of policy linkages and policy coherence for trade expansion and poverty reduction. **Recommendation: Support linkages between national trade strategies and broader national development frameworks, and national and regional trade strategies.**
- Disaggregated ex ante analysis should inform Aid for Trade programming to ensure Aid for Trade support reaches and benefits typically poorer traders. **Recommendation: Inform Aid for Trade programme design with disaggregated ex ante analysis.**
- Support the integration of producers into global supply chains and support the transparency of these supply chains. **Recommendation: Help producers access global supply chains and support initiatives that improve the transparency of supply chain.**
- The importance of capacity building. **Recommendation: Support a range of capacity-building initiatives to improve productive capacity.**
- Incorporate stakeholder engagement. **Recommendation: Ensure Aid for Trade programmes engage with a range of stakeholders, including typically poorer or excluded social and economic groups, through the design, implementation and monitoring phases.**
- Country-level ownership is a precondition of success. **Recommendation: Ensure a degree of flexibility and responsiveness to build country-level ownership.**
- 'Champions' facilitate success. **Recommendation: Identify and work with 'champions' to deliver and sustain Aid for Trade programmes.**
- Government and donor coordination supports success. **Recommendation: Engage with and support coordination structures for Aid for Trade-related programme design, implementation and monitoring.**
- Monitor trade and poverty impact. **Recommendation: Support efforts to monitor the trade and poverty impact of Aid for Trade programmes**



# 1. Introduction

## 1.1 Overview

This paper is a synthesis of five case studies that explore how Aid for Trade can build trade and export potential while contributing to inclusive growth and poverty reduction. Following this overview, the aims and objectives of this stream of work, and of this paper, are outlined. The Aid for Trade agenda and its links to inclusive growth and poverty reduction are also discussed. Section 2 sets out the methodology adopted for this study and Section 3 synthesises the key findings from each of the five case studies drawn on in this synthesis. Section 4 is the concluding section. It draws on the findings of the five case studies to suggest how Aid for Trade can support trade, as well as inclusive growth and poverty reduction, outcomes.

## 1.2 Aims and objectives

### 1.2.1 Aims and objectives of 'Aid for Trade: Promoting Inclusive Growth and Poverty Reduction'

'Aid for Trade: Promoting Inclusive Growth and Poverty Reduction' is a stream of work funded by the UK Department for International Development (DFID) and the Swedish Ministry for Foreign Affairs and commissioned on behalf of European Union (EU) Member States to support the rollout and implementation of the EU Aid for Trade Strategy (EU, 2007).<sup>2</sup> The work aims to strengthen the pro-poor focus and quality of EU Aid for Trade implementation by further developing the ways in which key stakeholders understand and act on the linkages between trade, inclusive growth and poverty reduction. It is intended that the work will generate products that:

- Set out and clearly communicate the conceptual linkages between trade, trade-related assistance (TRA), poverty reduction and inclusive growth (including gendered dimensions);
- Provide evidence, through country- and sector-specific case studies, of how Aid for Trade can build trade and export potential, while contributing to inclusive growth and poverty reduction; and
- Provide concrete, practical assistance, through guidance notes, on how to implement Aid for Trade programmes that better contribute to inclusive growth and poverty reduction.

### 1.2.2 Aims and objectives of this synthesis paper

This paper synthesises findings and lessons from a set of five case studies on Aid for Trade initiatives.<sup>3</sup> These case studies, and this synthesis, were developed in response to a clear demand, from EU Member States, on the need to harness evidence on Aid for Trade programmes and projects that have expanded trade while promoting inclusive growth and poverty reduction (see findings from an ODI scoping study, Higgins et al., 2008). The study canvassed widely the opinions of EU Member States, and concluded that:

- There is not enough evidence available, or accessible, to support the argument that trade can have poverty-reducing effects;<sup>4</sup>

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<sup>2</sup> The EU Core member group, comprising the European Commission (EC), France, Germany, Sweden and the UK have provided input into this process.

<sup>3</sup> A fifth case study is currently being finalised.

<sup>4</sup> Note that this was the opinion of officials from EU Member States interviewed. There is considerable evidence that those countries that have increased trade as a proportion of growth (gross domestic product [GDP]) have seen growth exceed that in those that do not, and that those that have achieved faster growth have been more effective at reducing poverty.

- There is inadequate programming advice on how to incorporate an inclusive growth and poverty reduction focus into Aid for Trade programmes and initiatives; and
- In general, there is only a limited number of Aid for Trade programmes and initiatives under way that explicitly consider the linkages between trade, inclusive growth and poverty reduction.

As such, through the case studies and this synthesis paper we seek to:

- Provide evidence, through country- and sector-specific case studies, of how Aid for Trade can build trade and export potential, while contributing to inclusive growth and poverty reduction; and
- Draw lessons from these case studies about how to design and implement Aid for Trade strategies and programmes to support trade expansion alongside inclusive growth and poverty reduction.

### **1.3 Aid for Trade: An overview**

#### **1.3.1 The origin and evolution of Aid for Trade**

The origins of the recent-day Aid for Trade agenda lie in World Trade Organization (WTO) negotiations and can be traced back to developing country concerns, which focused on two key issues: first, the perceived limited benefits to developing countries from improved market access alone, without sufficient supply-side support; and second, and in addition to these supply-side capacity constraints, the need for compensation for adjustment costs associated with multilateral (and indeed regional) trade liberalisation, notably preference erosion, support for net food importers and reduced trade-related fiscal revenue (IMF and World Bank, 2005).

In response to these concerns, the WTO Ministerial Meeting in Hong Kong in December 2005 called on donors to increase Aid for Trade resources to 'help developing countries, (especially LDCs), build the supply side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade' (WTO, 2005). This meeting also emphasised that Aid for Trade had to be conceived as a fundamental component of what constituted 'development' in the multilateral trading system. This was significant, given that previous efforts to provide assistance within the context of trade negotiations were usually made on a best endeavour basis only, with little coordination between the providers of assistance and those involved in negotiations.

Increased recognition of the importance of TRA to support proportionality in terms of commitments (and benefits) of a trade round came at a time when donors had agreed to a substantial increase in the overall aid envelope (in large part under the G8 Gleneagles Agreement and the UN Millennium Task Force). This led to a number of multilateral and bilateral development agencies committing substantial funds under the Aid for Trade rubric.<sup>5</sup> The Hong Kong Ministerial Meeting also established the WTO Task Force on Aid for Trade to develop recommendations on how to operationalise Aid for Trade (OECD, 2007). The objectives, and Aid for Trade categories, recommended by the WTO Task Force for the Aid for Trade initiative (WTO, 2006) are outlined in Box 1.

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<sup>5</sup> For instance, the 2005 financial commitment by the EU entails €2 billion per year (€1 billion per year each for the EC and the Member States) of TRA to partner countries by 2010.

**Box 1: Objectives and categories for Aid for Trade****Objectives for Aid for Trade**

- Enable developing countries, particularly least-developed countries (LDCs), to **use trade more effectively to promote growth, development and poverty reduction** and to achieve their development objectives, including the **Millennium Development Goals (MDGs)**;
- Help developing countries, particularly LDCs, to build **supply-side capacity and trade-related infrastructure** in order to facilitate their access to markets and to export more;
- Help **facilitate, implement and adjust to trade reform and liberalisation**;
- Assist **regional integration**;
- Assist **smooth integration into the world trading system**; and
- Assist in the **implementation of trade agreements**.

**Categories for Aid for Trade:**

- i) **Trade policy and regulations** – to build local capacities to develop national trade policies, participate in trade negotiations and implement trade agreements;
- ii) **Trade development** – to help enterprises trade and create a favourable business environment;
- iii) **Trade-related infrastructure** – to assist countries in building the physical means to produce and move goods and export them (e.g. transport, storage, communications and energy);
- iv) **Building productive capacity** – to support sectors such as agriculture, manufacturing or services for export development and to improve export competitiveness; and
- v) **Trade-related adjustment** – to support beneficiary governments to adjust to changes in both national and other countries' trade policy measures.

The Aid for Trade initiative is making progress in raising awareness about the support that developing countries, particularly LDCs, need in order to overcome the barriers that constrain their capacity to benefit from trade expansion and reduce poverty. Developing countries are raising the profile of trade in their development strategies: more than half of all partner countries that reported to the 2nd Aid for Trade Global Review have fully mainstreamed trade into their national development strategies. Donors are providing increased resources to developing countries to support trade expansion: Aid for Trade grew by more than 10% in real terms in 2006 and 2007 and total new commitments from bilateral and multilateral donors reached \$25.4 billion in 2007, with an additional \$27.3 billion in non-concessional trade-related financing (OECD/WTO, 2009).

In the context of the global financial crisis, and its serious growth, poverty and equity impacts, Aid for Trade is more important than ever. As the impacts of the crisis transmit through to developing countries – to a large extent through reductions in trade – Aid for Trade has a particularly strategic and important role to play in supporting countries to 'build back better' in a way that enhances comparative and competitive advantage, limits exposure to trade-related risk, addresses issues associated with climate change and ensures that poor traders, producers and entrepreneurs can engage with and benefit from trade. Aid for Trade also needs to invest in trade-related adjustment activities to mitigate the poverty and growth impacts of reductions in global demand.

**1.3.2 Aid for Trade, inclusive growth and poverty reduction**

We know that increased trade and economic growth can help deliver poverty reduction. The structure of economies and societies influences whether an increase in the volume and value of trade delivers economic growth, and whether that growth, in turn, generates sustained poverty reduction and enhanced wellbeing. However, under the right conditions, trade and economic growth can be inclusive. Poor people can see their incomes, consumption and wellbeing rise. Trade can also support growth by enhancing a country's access to a wider range of goods and services, knowledge and technologies. It can stimulate entrepreneurship in the private sector. It can attract private capital, create jobs and increase foreign exchange earnings. Such positive trends in an economy can enable governments to increase tax take, enabling them to invest in the types of expenditure that reduces poverty, inequality and exclusion (WTO, 2008). Together these factors can increase the likelihood that the MDGs are met – not just at the aggregate level but also

for all socioeconomic groups. Further, although there remain some differences of opinion on the direct causal relationship between trade, growth and poverty (see Higgins and Prowse, 2009), we do know that countries that make trade a part of their development process have tended to grow, and reduce poverty, faster than those that have not (OECD, 2008). Developing countries have almost doubled their share of non-oil world exports over the past 30 years, and this has been accompanied by strong economic growth. More recently, developing countries have made important progress in accessing the markets of the industrialised world through the changed rules associated with WTO trade rounds (DFID, 2008).

But the gains from this have been unevenly spread, with the poorest countries being increasingly marginalised. For example, sub-Saharan Africa's share of world exports fell from 3.9% in 1980 to 1.9% in 2006 (OECD, 2008). In addition, there are signs that trade liberalisation in developing countries, while increasing aggregate growth, does not benefit everyone and can increase the poverty and ill-being of some, as well as contributing to higher levels of inequality. So even where trade and growth are increasing, poor and marginalised groups may not be reaping the benefits of growth, or may be benefiting far less than other groups (DFID, 2008). This is widely recognised and it is these challenges, in part, that the Aid for Trade agenda seeks to address.

What we see is that developing countries have not been able to fully capture the benefits of trade, and that this is for a number of reasons. Although access to international markets is still an issue in some areas, for instance around agriculture, there are other 'behind the border' constraints. These include high transport costs, absent or unsupportive policies and regulations, cumbersome and slow export processing procedures, inadequate export and trade negotiating skills, poor product standards, low productivity and competitiveness, lack of export diversification and low added value production chains. Broader economic infrastructure issues also pose significant challenges: less developed countries are often poorly resourced in terms of energy, communications and transport infrastructure, and markets in these often function poorly. These generate severe constraints for producers, workers, entrepreneurs and traders and stifle global competitiveness (see Figure 1).

**Figure 1: Average time to export (no. of days)**



Source: World Bank (2008).

What this illustrates is that developing country governments and their international development partners have a huge opportunity to make positive changes. Changes that will reduce 'behind the border' constraints, smooth links between national and international markets and increase the ability of the full range of people to engage beneficially in trade. This is where Aid for Trade comes in – by helping developing countries maximise the growth and poverty reduction potential of trade. For example, Aid for Trade can support trade expansion in a way that increases the government resource envelope, enabling distributive government spending. It promotes an inclusive investment climate, enhancing the opportunities for a range of trading groups – including big business, small and medium enterprises (SMEs), entrepreneurs, informal traders, poor producers and workers - to participate in trade-related activities and benefit from trade. It can help trading groups overcome infrastructural barriers to benefiting from trade, by reducing the time and cost associated with

transportation and border crossings. It can build productive capacity, which enables households and traders across the income distribution to participate in and benefit from tradable sectors, and it can support the diversification of these sectors into higher value added products. Where necessary, it can support policies and programmes to mitigate the adverse impacts of trade-related adjustment, by supporting regional-level adjustment facilities as well as social protection initiatives (Bird and Vandemoortele, 2009). In essence, Aid for Trade can help build the export potential of developing countries so that they are able to reap the benefits of global trade, and it can help poor and excluded people to engage in domestic and international markets in a way that benefits them. It can do this by supporting improved market access, enterprise development and employment creation. Through this range of entry points, Aid for Trade has the potential to simultaneously contribute to trade expansion and poverty reduction efforts through job creation and income generation.

## **2. Methodology**

### **2.1 Sampling approach and short list**

Following a meeting in January 2009 between DFID/BERR (Department for Business, Enterprise and Regulatory Reform), Sweden, the Overseas Development Institute (ODI), the EC and a core team of EU Member States, ODI developed a template for completion by the EC and EU Member States to generate information about plausible Aid for Trade case studies to include in this review. Information provided to ODI in this way was supplemented by web-based searches, a review of the literature, key informant interviews and submissions from a core group of EU Member States. The ODI team compiled this information in the form of a database of 57 possible cases, presented in summary form in Annex 1. A shortlist was devised from this long list, using the following primary and secondary selection criteria:

- Primary selection criteria: 1) success in achieving project goals; 2) poverty focus.
- Secondary selection criteria: 1) Aid for Trade category; 2) sector; 3) region; 4) donor.

The shortlist was then discussed with the funding agencies, DFID and Sweden, and adjustments were made before the list was finalised. The short-listed Aid for Trade programmes and projects chosen were:

- Cambodia Trade Sector-wide Approach (SWAp);
- Regional Trade Facilitation Programme (RTFP);
- ComMark's Lesotho Textile and Apparel Sector Programme;
- Ethiopia Trademarking and Licensing Initiative;
- Trade development in the cotton sector: Cotton Made in Africa (CMiA), the Better Cotton Initiative (BCI) and the Lango Organic Cotton Project (LOCP).

These are outlined in more detail in Table 1 below. It is important to note that the draft RTFP case study is currently being finalised and therefore is not included in this draft synthesis.

**Table 1: Short-listed Aid for Trade programmes and projects**

Aid for Trade programme or project	Aid for Trade category	Region (country)	Funding	Donors	Dates
<b>Cambodia Trade SWAp</b>	Trade policy and regulations	Asia (Cambodia)	-	Multi-donor, including UNDP, World Bank/IFC, EC, AFD, GTZ, USAID, ILO and others	Ongoing since 2005
<b>RTFP</b>	Trade policy and regulations; trade development; trade-related infrastructure; building productive capacity; trade-related adjustment	Africa (Southern and Eastern Africa)	£16.6 million	DFID (with some joint funding at the activity and project level)	November 2003 to November 2009
<b>ComMark's Lesotho Textile and Apparel Sector Programme</b>	Trade policy and regulations; trade development; building productive capacity	Africa (Lesotho)	-	DFID	2003 to December 2009
<b>Trade development in the cotton sector</b> <ul style="list-style-type: none"> <li>• Cotton Made in Africa (CMiA)</li> <li>• The Better Cotton Initiative (BCI)</li> <li>• Lango Organic Cotton Project (LOCP)</li> </ul>	Trade development; building productive capacity	<ul style="list-style-type: none"> <li>• CMiA: Africa (Burkina Faso, Zambia, Benin)</li> <li>• BCI: Multi-country</li> <li>• LOCP: Africa (Uganda)</li> </ul>	<ul style="list-style-type: none"> <li>• CMiA: €4.2 million</li> <li>• BCI: Approx. €1 per year</li> <li>• LOCP: -</li> </ul>	<ul style="list-style-type: none"> <li>• CMiA: BMZ, Aid by Trade Foundation</li> <li>• BCI: Sida</li> <li>• LOCP: Hivos, Sida</li> </ul>	<ul style="list-style-type: none"> <li>• CMiA: Since 2005</li> <li>• BCI: Since 2006</li> <li>• LOCP: 1994 to 1997</li> </ul>
<b>Ethiopia Trademarking and Licensing Initiative</b>	Trade development	Africa (Ethiopia)	Approx. £5 million	DFID	Ongoing since 2005

## 2.2 Limitations

The case studies presented here were selected purposively as examples of Aid for Trade likely to deliver positive trade, inclusive growth and poverty reduction impact. They are not intended to be either impact assessments or evaluations and, given the limited time and resources, they are necessarily superficial. They are based largely on key informant interviews and programme/project documentation and their accuracy depends on the information provided to us. While we have triangulated assertions wherever possible, it is quite likely that errors remain.

### **3. Key findings**

#### **3.1 An integrated approach to Aid for Trade: Cambodia Trade SWAp**

##### **3.1.1 Overview**

This case study analyses Cambodia's Trade SWAp and considers how it contributed to positive trade and poverty outcomes. Through the Trade SWAp, the government of Cambodia is seeking to integrate trade policy into a broader development and poverty reduction agenda. Supported by a number of key donor agencies and the government, the Trade SWAp represents a framework for channelling Aid for Trade resources to enable pro-poor growth through trade development.

One of the initial steps towards the current Trade SWAp process was made as early as 2001, when Cambodia became one of the first three countries to launch the Integrated Framework (IF)<sup>6</sup> process, and when it formulated the trade agenda in tandem with the poverty reduction strategy paper (PRSP) process. The IF proved a useful vehicle for facilitating dialogue between trade and development priorities.

On the foundation of the IF and PRSP, a process towards a Trade SWAp was initiated. Enabling progress towards operationalising the Trade SWAp was the Ministry of Commerce's (MoC's) entrepreneurial approach in harnessing existing donor activities, combined with donors' willingness to provide concrete assistance to realise the Trade SWAp.

##### **3.1.2 How has it contributed to positive trade and poverty outcomes?**

The process towards realising the Cambodia Trade SWAp is a good example of aid effectiveness linked to trade in practice. What is particularly unique is the way that the dual goals of increasing export potential and poverty reduction have been pursued. While we do not have evidence of the trade and poverty impact of this Trade SWAp, this does highlight how trade and development objectives can be pursued at the country level, which we can anticipate will contribute to both trade expansion as well as trade-supported poverty reduction. The integration of Human Development Impact Assessments (HDIAs) into Cambodia's Diagnostic Trade Integration Study (DTIS) is a strong example of this. These HDIAs, conducted in 19 export sectors, incorporated a quantitative estimate of current employment in the sector and a qualitative assessment related to issues such as income generation, education, women's participation and wealth of households employed in the sector. More detailed scoping of the relevant human development linkages for five of the 19 priority sectors, including an analysis of living standards and demographics of participants in the sectors, focusing on differences between sexes, was also conducted. The integration of this analysis into Cambodia's DTIS and broader trade strategy demonstrates how considerations of poverty and social impact can inform trade policy decisions.

##### **3.1.3 Key lessons for Aid for Trade programming**

For Aid for Trade programming, Cambodia's experience demonstrates that stakeholder coordination and alignment, as well as ex ante analysis of human development implications of trade reform, were integral to achieving a pro-poor trade strategy with a long-term vision. Despite a

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<sup>6</sup> The IF for Trade-related Technical Assistance to LDCs is a process that was first established in 1997 to support LDC governments in trade capacity building and integrating trade issues into overall national development strategies. Through the IF, the participating agencies (the International Monetary Fund (IMF), the International Trade Centre (ITC), the UN Conference on Trade and Development (UNCTAD), the UN Development Program (UNDP), the World Bank and the WTO) combine their efforts with those of LDCs and their other development partners to respond to the trade development needs of LDCs so that they can become full and active players and beneficiaries of the multilateral trading system, thereby enhancing their economic growth and poverty reduction strategies. (See [www.integratedframework.org](http://www.integratedframework.org)).

long process of technical assistance and capacity building, the Trade SWAp in Cambodia remains a work in progress. Its success in generating pro-poor development impacts remains to be seen.

A number of lessons for the development of an IF for pro-poor Aid for Trade can be drawn from Cambodia's progress. These lessons are discussed in two areas: aid effectiveness and the Trade SWAp, and the poverty reduction focus of the Trade SWAp.

Lessons and recommendations on aid effectiveness and the Trade SWAp are as follows:

- **Alignment with Cambodia's overall development strategy.** The Trade Sector Programme 2006-2008 was aligned with Cambodia's overall development strategy and received endorsement from the Prime Minister. This is critical for ensuring synergies between a country's national trade, and national development, agenda. With this high-level commitment, the MoC embarked on a series of institutional changes to put in place the mechanisms needed for effective coordination among relevant ministries and donors.
- **Donor coordination.** Vital support for the Trade SWAp agenda has come from UNDP, the EC and the World Bank, and has been complemented by important capacity-building efforts led by UNCTAD.
- **Maintain and deepen stakeholder engagement during implementation.** To be successful, the Trade SWAp requires the engagement of all relevant stakeholders, not only during strategy development but also throughout the implementation of the trade sector programme. It is precisely the ability of the Trade SWAp structure to facilitate this engagement throughout the implementation process that represents its key benefit.
- An integrated approach to Aid for Trade must **extend beyond the policy level to the level of programme implementation.** Donor support, in particular from the EU, for the process of creating institutional structures and for building capacity within the government to work effectively within these structures, was a crucial element in advancing the Trade SWAp.
- **Inter-ministerial coordination and engagement with government.** Unless other ministries are actively integrated into the process and given responsibility for elements within the trade programme, an integrated approach cannot take shape in practice. If other ministries share responsibility in the implementation of the Trade SWAp, it has the potential to become an effective mechanism for attracting additional donor funds.
- **A champion for donor coordination.** The case study demonstrates the impact of involving a donor with expertise and a commitment to human development and poverty reduction – in this case UNDP – in the SWAp. In Cambodia, UNDP was successful in building required support for a strategy that includes the required links to poverty reduction goals. Equally important has been the involvement of the EC, which has provided crucial financing to develop the corresponding institutional structure.

Lessons and recommendations on the poverty reduction focus of the Trade SWAp are:

- **Ex ante poverty analysis.** The pro-poor aspect of the Trade SWAp is crucially underpinned by the poverty and social impact analysis (PSIA) conducted in the form of sector-level human development impact screening but also through macro-level HDIAs. Incorporating the lessons from these analyses for ongoing policy dialogue and monitoring and evaluation (M&E) will be critical for sustaining the poverty focus of the Trade SWAp.
- **Poverty assessments and stakeholder engagement.** An important element in the development of Cambodia's DTIS has been the incorporation of HDIAs. The continuation of dialogue on poverty and social impacts of trade policy reform is essential for considering any negative implications and adjustment costs resulting from policy changes. Continued development of analytical capacity to conduct PSIA in an inclusive manner is key.
- **Sector-level priorities should be clearly grounded in disaggregated analysis** by sex and other relevant socioeconomic criteria to ensure that benefits reach poor stakeholders.

- **Link crosscutting policy issues with a set of specific export sectors.** Only by aligning crosscutting reform interventions with priorities identified at the sectoral level can the desired impacts on job creation and pro-poor economic development be targeted explicitly by macro-level interventions. And only through the necessary investments in those export sectors can the benefits of the macro-level interventions be maximised for pro-poor development. It is therefore crucial that macro-level analysis is linked explicitly to sector-specific concerns.
- **The sector-specific approach is no more than an entry point to address the ultimate goal of poverty reduction.** It is therefore critical to ensure that local-level concerns are reflected in the sector-level programmes and that these issues help to shape the overall trade agenda. Strengthening provincial-level public–private dialogue is an important factor in moving towards this objective.
- **A government champion** can help promote the IF as a vehicle for supporting a demand-driven approach to pro-poor trade development. In the case of Cambodia, it is very clear that, without the continued leadership of the MoC, the Trade SWAp concept would not be as close to implementation as it is today.
- **A champion for pro-poor growth.** Placing an actor with an explicit poverty focus in a leadership role strengthens the pro-poor focus of the SWAp. UNDP combined a focus on human development concerns with engagement with development partners, and has successfully built the required support for a trade strategy that includes the required links to poverty reduction goals.
- **Long-term approach for sustainable results.** When guided by strong government leadership and appropriate levels of financing, the IF can help provide a foundation for a long-term approach. It can do so by supporting the integration of donor programmes and developing the required capacity for implementation. By the same token, the IF may not be suitable for delivering quick wins. To be effective, it requires a long-term vision combined with a number of intermediate short- and medium-term goals.

## 3.2 A regional approach to Aid for Trade: RTFP

### 3.2.1 Overview

This case study explores the Regional Trade Facilitation Programme. The vision of RTFP is ‘making it easier and quicker for businesses to trade between countries in Southern and Eastern Africa so that economies in the region become more competitive and people benefit through job creation and increased wealth’.<sup>7</sup> It has components that are considered to be innovative Aid for Trade programmes and has been engaged in pioneering work to develop and implement a regional approach to TRA. It is a wide-ranging, multi-component initiative that engages with all five Aid for Trade categories: trade policy and regulations; trade development; trade-related infrastructure; building productive capacity; and trade-related adjustment. The programme has adopted a highly flexible, demand-driven approach, one which has enabled it to respond to specific requests of regional counterpart organisations and capitalise on opportunities arising during the course of the project.

Proposed outputs of RTFP are:

- Streamlined customs/border procedures and common regional transit system;
- Pro-poor trade agreements negotiated at WTO and as part of economic partnership agreements (EPAs);
- Improved functioning of regional trade agreements (Southern African Development Community (SADC), Southern Africa Customs Union (SACU), Common Market for Eastern and Southern Africa (COMESA));

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<sup>7</sup> [www.rtfp.org/](http://www.rtfp.org/).

- Increased participation by local communities in production and export of selected pro-poor commodities; and
- Improved trade policy capacity.

The North–South Corridor has become a flagship initiative of RTFP. Support to the regional organisations of SADC, the East African Community (EAC) and COMESA in preparing Aid for Trade strategies, although at different stages, is also an important component.

### 3.2.2 How has it contributed positive trade and poverty outcomes?

The North–South Corridor is an integrated trade facilitation and trade-related infrastructure programme aimed at reducing the time and cost involved in transport along a major regional transportation network. In doing so, it is expected to produce important benefits in terms of improved access to international and regional markets and increased competitiveness of the regions' products. The major innovation of the programme lies in the fact that it builds on an integrated, multi-modal approach that addresses both infrastructure needs (road, rail, ports and border posts) and the regulatory environment (such as streamlining cross-border clearing procedures and harmonising transit and transport regulations). We can anticipate that the North–South Corridor will contribute significantly to improvements in trade by reducing a range of constraints to trade. We can also anticipate that it will support typically poorer trading groups – such as women, informal traders and micro-entrepreneurs – to increase the benefits they derive from trade. This may be by reducing the costs they incur from cross-border trade, hence increasing profitability. It may also be by reducing the time it takes to conduct cross-border trade, increasing time available to develop their enterprise or engage in household-related activities that improve the wellbeing of their family (e.g. child care or farming).

RTFP's role in supporting African countries to chair the WTO LDC Group in the context of WTO Doha Round negotiations, as well as supporting SADC, EAC and ESA (East and Southern Africa) in the context of EPA negotiations with the EU, will also support positive trade and poverty outcomes. In addition, RTFP support for the COMESA Aid for Trade Unit, and the COMESA Aid for Trade Strategy, will support positive trade and poverty developments. One way this may be achieved is through supporting the COMESA Aid for Trade Unit in the development of the COMESA Fund Adjustment Facility, which will offer financial support to Member States to address both revenue losses and broader social and economic adjustments resulting from trade liberalisation. Finally, RTFP's funding of 'wellness centres' for the provision of low-cost, low-maintenance primary health care along with HIV/AIDS prevention activities along the North–South Corridor may limit risky behaviour, and support health improvements, along the transport corridor.

### 3.2.3 Key lessons for Aid for Trade programming

- **Significant synergies result from taking a regional approach to trade facilitation.** The simultaneous removal of infrastructure and regulatory bottlenecks should reduce the time taken in transport, therefore reducing the costs of doing business in the region and making producers more competitive.
- **Removing key trade constraints** in Southern and Eastern Africa will increase trade and export potential across trading groups, including big business, SMEs, informal traders and female traders. There are **compelling economic and equity arguments** for ensuring that typically poorer traders – such as women and informal business – benefit from regional integration initiatives.
- To maximise inclusive growth and poverty reduction impact, programmatic design and implementation should be informed by **ex ante analysis and stakeholder engagement** that explores the range of trade-related constraints and opportunities facing different trading groups. This may be conducted at the national level and fed into regional-level dialogue and processes. It may be 'built in' to the development of specific initiatives. What matters is that the mechanisms are in place to integrate these concerns.

- **Aid for Trade can support poor regions and poor countries to get a better deal in international trade fora.** This support would be enhanced if it considered how to support negotiators to negotiate agreements that support trade expansion, as well as trade-induced poverty reduction.
- **Linking national trade strategies to the regional Aid for Trade strategy is key.** At the national level, strong links to poverty reduction processes, and analysis of pro-poor export sectors, should inform trade strategy development. This national strategy should link through to regional Aid for Trade strategies and help support regional approaches to trade consider broader development and poverty issues.

### 3.3 Aid for Trade in Lesotho: ComMark's Lesotho Textile and Apparel Sector Programme

#### 3.3.1 Overview

This case study analyses the Lesotho Textile and Apparel Sector Programme, which specifically aims to improve both the level of investment and the competitiveness of Lesotho's garment sector so that it benefits the poor by creating formal job opportunities. The Lesotho case study provides insight into how Aid for Trade can contribute towards promoting pro-poor trade and growth in three Aid for Trade categories: trade policy and regulations, building productive capacity and trade development.

Key binding constraints in Lesotho's textile and garment industry that the Aid for Trade programme aims to address include:

- A lack of investment in environmental services and critical infrastructure facilities;
- Low levels of factory and worker productivity that were affecting the cost competitiveness of the sector;
- Generally poor perceptions of the sector by both local and international stakeholders; and
- Threats to the favourability of the international trading environment faced by Lesotho's textile and garment exporters (Mthente, 2009), specifically the looming expiration of the African Growth and Opportunity Act (AGOA), which served as a catalyst for growth and investment in the textile and apparel sectors in Lesotho. Although deepening preferences, specifically around rules of origin as AGOA represents, can have a significant impact (Collier and Venables, 2007), such time-bound agreements can have significant built-in negative effectives for the future, as preferences erode.

The Lesotho Textile and Apparel Sector Programme responded to these constraints by developing a programme with four key components:

- **Technical advice:** A technical advisor placed in the Lesotho National Development Corporation (LNDC) to assist in developing the sector and promoting Lesotho as a source destination.
- **Training scheme:** The Training Co-financing Fund to encourage factory owners to invest in training to enhance productivity and improve their internal management systems. Companies' training fees were subsidised.
- **Apparel Lesotho Alliance to Fight AIDS (ALAFSA):** An HIV/AIDS prevention, care and treatment programme to safeguard the human capital base of the industry as well as strengthen the perceptions of Lesotho as an ethical sourcing destination.
- **Trade negotiation support:** Trade negotiation support that focused on the expiry of the Multi-Fiber Arrangement (MFA) and extending AGOA and the SACU Duty Credit Certificate Scheme (DCCS).

The poverty impacts of this Aid for Trade intervention in the textile and garment sector in Lesotho have significant potential given the high proportion of female employment in the sector (85%), as well as the large portion of employees with HIV/AIDS (estimated 43%), and its important contribution to GDP (19%). Additionally, for every job created on average four dependents benefit from an increase in household income.

### 3.3.2 How has it contributed positive trade and poverty outcomes?

The case study reveals both how Aid for Trade programming has helped Lesotho to maximise gains from trade preferences (i.e. AGOA) for inclusive growth and poverty reduction, and how Aid for Trade programming can work towards reducing dependence on the time-bound trade preferences by encouraging diversification of export destinations, building the sectors' productive capacity and supporting trade negotiations.

However, the case study concludes that Lesotho's textile and apparel industry remains in a precarious position, as attempts to diversify the markets for textile and apparel exports have seen limited success. Reliance on the US market renders Lesotho's textile and apparel industry vulnerable to changes in the international trade environment (e.g. removal of AGOA preferences in 2015, falling demand in the US).

Three key factors that undermine the sustainability of the positive trade and poverty impacts the programme has supported are:

- **Erosion of trade preferences**, as AGOA is set to expire by 2015, and it has been extended to Asian countries.
- **Reliance on the US market** renders Lesotho's textile and apparel industry vulnerable to changes in US demand. Attempts to diversify the markets for textile and apparel exports have seen limited success.
- The **financial crisis** and reduced demand in the US. The impact of the decline in growth in the US is expected to result in a decline in employment in Lesotho of up to 15,664 workers in 2009 and up to 2,417 workers in 2010 (Mthente, 2009).

Nonetheless, this case study provides lessons on how Aid for Trade can contribute towards promoting more pro-poor trade and growth, within the context of time-bound trade agreements.

### 3.3.3 Key lessons for Aid for Trade programming

- **A consultative process in design and implementation, whereby all stakeholders (including various government ministries, private sector and unions) are engaged and given voice**, leads to positive achievements. Technical assistance, trade negotiation support and training services were tailored to the needs of recipients and aligned with existing processes and institutions. In Lesotho, an alliance between stakeholders enabled the programme to respond to their concerns enabling environment for trade and investment and to provide various forms of assistance that are tailored to the context and the audience.
- **Research and needs assessment are essential to underpinning the long-term strategic vision** of the programme, as well as to informing design and implementation of various components of the programme.
- Beyond engaging stakeholders, **convening stakeholders from institutions associated with the garment industry** (i.e. across several ministries, private sector organisations, labour unions, non-governmental organisations (NGOs), electricity and water sectors, etc) on a regular basis to discuss challenges and to develop practical solutions improved the efficiency of the sector and created an enabling environment for investment.
- **Committed and informed leadership at all levels** is key. Dedicated government leadership was often cited as a key enabler of the success of the ComMark apparel sector

programme. The leadership of the programme manager, who supported national ownership and alignment and came to the job with experience in the textile industry, was also often said to be a key enabler of the programme's success.

- **Flexible design and tailored implementation** is a recurrent theme across the various components of the apparel programme. Technical assistance was provided by a ComMark staff member placed in the LNDC, who built strong relationships within the ministry and could tailor assistance accordingly. The training programme was lauded by companies for its flexibility. ALAFA was also tailored to the needs of each firm. All components of the programme were underpinned by a process of consultation with stakeholders.
- **Invest in the sector's infrastructure.** Documentation and respondents highlight infrastructure as a major barrier to the expansion of the garment industry. If the industry and government had developed the resources and infrastructure in time, the sector's recent expansion would have been greater.

### **3.4 The Ethiopia Trademarking and Licensing Initiative: Supporting a better deal for coffee producers through Aid for Trade**

#### **3.4.1 Overview**

The Ethiopian Trademarking and Licensing Initiative is an Aid for Trade initiative that has strong trade development and poverty reduction foundations: it aims to increase Ethiopia's coffee export income while ensuring a higher and more predictable income for Ethiopian coffee farmers and their households. To achieve the latter, it enables farmer to capture a larger *share* of the final retail value of their coffee and a more stable and predictable price for their coffee.

Named varieties of Ethiopian coffee have a reputation for high quality. However, not all Ethiopian coffee producers are able to contribute to and benefit from economic gains associated with marketing a premium quality product. This owes to constraints to production, processing, storage and both domestic and international market functioning.

Given two parallel trends – high levels of poverty among the producers of high quality Ethiopian coffee, alongside increasing demand and retail prices for speciality coffee – this initiative is well positioned to have strong trade and poverty reduction impacts. It demonstrates how Aid for Trade has the potential to support positive trade and development outcomes simultaneously.

#### **3.4.2 How has it contributed to positive trade and poverty outcomes?**

There is some preliminary evidence of trade and poverty impact. According to the Oromia Coffee Farmers Cooperative Union, it has already been able to secure export prices of more than \$2 per kg, representing an increase of an estimated 50-100%.<sup>8</sup> This was achieved without a fully established licensing and enforcement system in place. According to Light Years IP (2008), as the Ethiopian Fine Coffee brand develops its standing in consumer markets, it should be feasible to more than triple the export price, to approximately \$6-8 per kg.

More substantive evidence has not been uncovered, as the initiative is in its initial stages. The impact of the initiative should be closely monitored, however, so there is more clarity on the scale of benefits that can be generated by this scheme, what the costs are per beneficiary, whom the initiative benefits (i.e. disaggregated impact analysis) or how sustainable the project will be following the withdrawal of donor funding.

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<sup>8</sup> The range of the estimated price increase is based on a reported export price of \$1.10 to \$1.30 per kg before the launch of the initiative and recent reports of an export price of between \$2 and \$2.40 by the Oromia cooperative. An estimate of 50-100%, therefore, represents a fairly conservative figure.

This project suggests that the right set and sequence of investments and interventions can deliver improved transparency in the value chain, reduced transaction costs for producers and enhanced farm-gate prices. All of these are worthy objectives in terms of both trade development and poverty reduction, but they need to be set against dangers of costly institutional mechanisms and exclusionary structures.

### 3.4.3 Key lessons for Aid for Trade programming

The initiative seeks to achieve its objectives by supporting the registration of trademarks for Ethiopia's three most famous high quality coffee varieties. This lays the foundation for the negotiation of licensing agreements with exporters and retailers, which in turn has provided coffee producers with greater ability to negotiate farm-gate and wholesale prices. Key features of the initiative are value chain analysis, trademarking and branding; licensing and brand management; and creating a transparent market.

- **Intellectual property rights** can increase producers' share of the retail value of their products, but a coherent brand management strategy, along with producer capacity to deliver on the brand product, is critical.
- Managing an intellectual property-based business strategy requires **legal and business expertise**, and capacity needs to be built in these areas.
- **Producers** need to be made aware of how to take full advantage of trademarking and licensing initiatives.
- **Institutional mechanisms** that guarantee the involvement of producer cooperatives in decision making are important. Supporting the outreach of producer cooperatives should be considered to ensure that as many producers as possible have representatives in trademarking and licensing initiatives.
- A **transparent supply chain** is vital to guarantee higher export prices.
- The project demonstrates that developing and managing a brand for premium products can deliver premium prices for commodity producers, where quality and variety can be verified. However, it is not yet clear to what extent the commodity exchange system will enable individual producers who are not members of producer cooperatives to benefit from the scheme. For instance, the poorest and most vulnerable farmers may not have physical access to the Ethiopian Commodity Exchange (ECX) system and may not be able to receive crucial market information.

## 3.5 Aid for Trade in the agriculture sector: A comparative analysis of three cotton sector programmes

### 3.5.1 Overview

This case study analyses three Aid for Trade projects in the cotton sector and considers how they have contributed to positive trade and poverty outcomes. It compares two initiatives aimed at the mainstream cotton market, Cotton Made in Africa (CMiA) and the Better Cotton Initiative (BCI), with an organic cotton project, the Lango Organic Cotton Project (LOCP). Given the importance of cotton production to trade in Africa, as well as the poverty profile of African cotton growers, the cotton sector represents a sound entry point for Aid for Trade programming.

### 3.5.2 How has it contributed to positive trade and poverty outcomes?

This case study demonstrates how different market approaches can be taken to supporting sustainable cotton production in Africa: in the case of CMiA and BCI the costs of the schemes are incurred by retailers, who are motivated by factors related to cotton supply and corporate social responsibility (CSR). In the case of organic cotton certification, while the cost of certification is typically incurred by the farmer, here we find the costs covered by LOCP. The impact of these

programmes on cotton yields and farmers is positive: for example, CMiA's programme in Zambia supported an 85% increase in return on family labour in 2006/07.

### 3.5.3 Key lessons for Aid for Trade programming

- **Targeted projects can deliver benefits to poor producers**, enabling them to access not only local but also international markets and generating increases in both yields and incomes. However, committed social entrepreneurs or socially responsible businesses are necessary to ensure export success.
- The **CSR agenda is a critical motivation for firms' engagement** with sustainable cotton production initiatives.
- Given growing consumer and shareholder demand for products with proven ethical characteristics (organic, CSR), **niche markets** are likely to grow and provide a sound entry point for Aid for Trade.
- A **flexible and progress-oriented approach** helps enhance the economic, social and environmental sustainability of the cotton supply chain. This allows private sector actors to determine the most efficient and cost-effective way for achieving progress towards the sustainability targets.
- **Donors can simultaneously support producers and hold companies to account**, by supporting the establishment of strong M&E systems.
- **Assess the poverty impacts for a continued pro-poor focus**. Despite a focus on benefiting small producers, project and programme documentation currently provides limited information differentiated by gender or wealth group. Pro-poor and pro-equity outcomes are assumed. Integrating these aspects in M&E, therefore, presents an important challenge for strengthening the pro-poor focus of these approaches.

## 4. Lessons for Aid for Trade programming

These case studies identify a range of lessons on how positive trade and poverty reduction outcomes can be achieved through Aid for Trade. These lessons are not comprehensive and all-encompassing; rather, they have emerged from the five case studies. From these lessons, we suggest recommendations for Aid for Trade programming.

### 4.1 Aid for Trade: Entry points for supporting trade

The Aid for Trade case study programmes and projects seek to support trade expansion through a range of entry points. These are outlined in Table 2.

**Table 2: Entry points for Aid for Trade**

Entry point	Aid for Trade support
Linking trade and development strategies at the national level to ensure coherence between trade and broader development vision	<ul style="list-style-type: none"> <li>Trade SWAp to encourage coordination and link trade policy with broader development and poverty reduction efforts (<b>Cambodia Trade SWAp</b>)</li> </ul>
Poor regional transport infrastructure corridors and inefficient and cumbersome regional customs and border procedures	<ul style="list-style-type: none"> <li>Regionally coordinated improvements of regional transport corridor, addressing infrastructure needs as well the regulatory environment (<b>RTFP</b>)</li> </ul>
Limited capacity in regional and international trade negotiating	<ul style="list-style-type: none"> <li>Trade negotiation and technical support focused on the expiration of the MFA and extending AGOA and the SACU DCCS (<b>ComMark Lesotho</b>)</li> <li>Support to African countries to chair the WTO LDC Group, as well as support to Regional Economic Communities in the context of EPA negotiations (<b>RTFP</b>)</li> </ul>
Low returns for producers from global value chains	<ul style="list-style-type: none"> <li>Registration of Ethiopia's three most famous coffee varieties as trademarks and negotiation of licensing agreements with exporters and retailers (<b>Ethiopia Trademarking and Licensing Project</b>)</li> <li>Development of CMiA and BCI, which are novel public-private partnerships that aim to improve conditions in the mainstream cotton market (<b>Comparative analysis of cotton sector</b>)</li> <li>Organic certification of cotton producers through LOCP to give farmers access to the niche organic cotton market (<b>Comparative analysis of cotton sector</b>)</li> </ul>
Limited market penetration into international markets	<ul style="list-style-type: none"> <li>Technical assistance in export promotion to support the development and marketing of Lesotho as a source destination for the garment sector (<b>ComMark Lesotho</b>)</li> </ul>
Limited/threatened productive capacity	<ul style="list-style-type: none"> <li>Training Co-Financing Fund to encourage factories to invest in training, to enhance productivity and improve internal management systems (<b>ComMark Lesotho</b>)</li> <li>ALAFAs: Prevention, testing, counselling, clinical and treatment services for HIV-affected workers in Lesotho's garment industry (<b>ComMark Lesotho</b>)</li> </ul>

### 4.2 Aid for Trade: Supporting trade expansion and poverty reduction

These cases studies highlight the fact that Aid for Trade can support trade expansion *and* poverty reduction. In Cambodia, while we do not have evidence on the trade and poverty impact of the Trade SWAp, we can anticipate that the integration of the HDIAs into Cambodia's DTIS would support the consideration of poverty and social issues in Cambodia's broader trade strategy. In the

case of RTFP, the North–South Corridor, while supporting trade expansion by improving access to international and regional markets, will also support typically poorer traders to increase the benefit they derive from trade. In the Lesotho case study, we see how Aid for Trade programming has helped the textile and garment sector in Lesotho maximise gains from trade preferences. This will support trade expansion while also having a positive human development impact, given that the textile and garment sector has a high proportion of women and HIV/AIDS-affected employees. In the case of the Ethiopian Trademarking and Licensing Initiative, there is evidence of an increase in export prices, augmenting the value of trade and generating a higher price for (typically poor, smallholder) producers. Finally, we see through the comparative cotton case study that specific Aid for Trade projects can increase both cotton yields and producers' incomes. For example, CMIa has resulted in a doubling of profits for participating farmers.

### **4.3 Lessons and recommendations for Aid for Trade programming**

#### **4.3.1 The importance of policy linkages and policy coherence for trade expansion and poverty reduction**

**Recommendation: Support linkages between national trade strategies and broader national development frameworks, and national and regional trade strategies**

Policy linkages between critical policies and frameworks, and policy coherence, need to be central to country and donor engagement with Aid for Trade. Ideally, entry points for Aid for Trade should be identified and delivered through a national trade strategy that sits within a coherent national development framework. The need for this policy coherence has been articulated, and is moving forward, through the now Enhanced Integrated Framework (EIF). The Cambodia case study is the only case study in our sample that demonstrates an explicit attempt to achieve this: the Trade Sector Programme 2006-2008 is aligned with Cambodia's overall development strategy. Continuing to support the mainstreaming of trade into national development strategies and frameworks should remain a priority of the Aid for Trade agenda.

Ensuring linkages between national trade priorities and regional trade strategies is also critical. This is being encouraged through the COMESA Aid for Trade Strategy. From a poverty reduction and broader development perspective, these links between national trade strategies and national development strategies, and then national trade strategies and regional trade strategies, are vital. Under existing mechanisms, consideration of the poverty impacts of trade will tend to happen at the national level; thus, for regional trade strategies to reflect the constraints faced by poorer households, linking national and regional trade priorities needs attention.

#### **4.3.2 Disaggregated ex ante analysis should inform Aid for Trade programming to ensure Aid for Trade support reaches and benefits typically poorer traders**

**Recommendation: Inform Aid for Trade programme design with disaggregated ex ante analysis**

There are compelling economic and equity reasons for ensuring typically poorer traders benefit from trade. There is no doubting that reducing constraints to trade, at the aggregate level, will often benefit typically poorer traders, such as women, informal traders, micro-entrepreneurs. But the benefits derived by typically poorer traders from these improvements will be increased if Aid for Trade programmes are informed by the specific constraints (and opportunities) that these traders face. For example, the simultaneous removal of infrastructure and regulatory bottlenecks will support poorer traders in their intra-country and cross-border trading activities, but this will be enhanced if infrastructure reaches poor traders (who may be in remoter locations) and regulatory changes tackle their specific constraints. International trade negotiations have the potential to

support poverty reduction through improved market access, but these are likely to have a stronger impact on poverty reduction, as well as trade expansion, if informed by evidence of the sectors that poorer people are engaged in and constraints they face in accessing international markets.

Disaggregated, ex ante analysis can support Aid for Trade programming by exposing the specificities of the opportunities and constraints that people engaged with trade face. Ex ante analysis enables policy stakeholders to identify and anticipate the likely differentiated impacts (by sector, sex, social group, income group and so on) of the potential impacts (both detrimental and beneficial) of changes in trade policy. Such evidence is capable of informing the design of Aid for Trade programmes, to support opportunities and tackle constraints to trade faced by people at the lower end of the income distribution and people who are typically socially and economically excluded. It can also inform the design of mitigation measures to help people and countries adjust to the costs of trade reform. For example, it could provide information on which sectors to focus on and on regions where traders face particular constraints, and suggest which groups are particularly excluded and discriminated against in domestic and international markets. Turner et al. (2008) provide a comprehensive review of ex ante tools for the analysis of trade liberalisation. Qualitative tools include flowcharts and checklists. Quantitative methodologies include analysis based on micro-level data (e.g. household surveys) and macro-level data (e.g. national accounts data) and may include computable general equilibrium (CGE) models, causal chain analyses (CCA) and others. Methodologies complementing the two include poverty impact assessment (PIA) or PSIA, results chain analysis or integrated economic analysis (IEA).

The level at which this analysis is conducted does not necessarily matter: it can happen at the programme, sector, sub-national or national level. What matters is that the mechanisms are in place to integrate this ex ante analysis into Aid for Trade programming so the correct array of sequenced and prioritised interventions can be identified for enabling trade expansion as well as trade-related poverty reduction.

#### **4.3.3 Support the integration of producers into global supply chains and support the transparency of these supply chains**

***Recommendation: Help producers access global supply chains and support initiatives that improve the transparency of supply chains***

These case studies highlight the value of Aid for Trade programming supporting the integration of producers into global supply chains. Indeed, these case studies have shown the value of supporting producers to respond to CSR motivations and higher value niche markets: in the case of Ethiopian specialty coffee, responding to demands for 'fine' Ethiopian coffee; in the case of two of the cotton projects, responding to the CSR motivations of businesses; in the case of the LOCP, accessing the niche organic cotton market. Supporting producers to secure intellectual property rights appears to be a good way for Aid for Trade to achieve this. Supporting organic certification also appears to have been effective.

Responding to these CSR motivations and accessing these niche markets depends on transparent supply chains (to prove the sustainability or 'organic-ness' of production, for example). These case studies show that public sector support can play an important role in enhancing transparency in supply chains. One approach is to support track and trace systems (such as those used in the CMiA project): while retailers have an interest in building a credible monitoring system to safeguard themselves against reputational risks, involvement by the public sector (government or donors) could further strengthen these systems, while catalysing additional CSR investments by lowering their overall cost. The ECX offers another model, which extends beyond the supply chain of an individual company and strengthens transparency within the entire market for different commodities. By verifying quality and providing farmers with increased flexibility regarding the

timing of their transactions with buyers, the ECX strengthens the bargaining power of farmers. Further study of the model may yield important lessons for future engagement by donors.

#### 4.3.4 The importance of capacity building

**Recommendation: Support a range of capacity-building initiatives to improve productive capacity**

These case studies demonstrate that building capacity should be a critical component of Aid for Trade support and that the nature of these capacity-building efforts will be varied. As the Ethiopian Trademarking and Licensing Initiative demonstrates, for producers to gain the most out of initiatives, capacity-building activities may need to span a range of areas, from agricultural extension to intellectual property law and business development. Building the outreach capacity of producer organisations may also be necessary, alongside awareness-raising campaigns among producers to ensure know-how to negotiate higher farm-gate prices under new market conditions. In the Lesotho case study, we see the establishment of the Training Co-financing Fund to encourage factory owners to invest in training to enhance productivity and improve their internal management systems, which has resulted in both increased productivity and better working conditions. In the case of Cambodia, we see that donor support for creating institutional structures and building capacity within government to work within these structures was a crucial element in advancing the Trade SWAp.

#### 4.3.5 Incorporate stakeholder engagement

**Recommendation: Ensure Aid for Trade programmes engage with a range of stakeholders, including typically poorer or excluded social and economic groups, through the design, implementation and monitoring phases**

Engagement between government, the private sector, donors and producers positively supports Aid for Trade interventions. This engagement should be carried out throughout the problem identification, design, implementation and evaluation processes. Critically, it is not only the economic and political elite that should be part of consultations, but also the poorer or typically excluded groups, such as informal traders and women's business associations.

The Lesotho garment sector case study highlights the value of consulting across several ministries, private sector organisations, labour unions, NGOs and the electricity and water sectors on a regular basis to discuss challenges and develop practical solutions to improve the efficiency of the garment sector and create an enabling environment for investment. The Ethiopia case study shows how government and producer cooperatives can work together to develop and negotiate a trademark and licenses that build export potential, add value and increase the income of producers. How and when poorer and typically excluded groups are engaged in the design and implementation of these initiatives are not clear. For Aid for Trade to lead to pro-poor outcomes, it is necessary to understand the barriers and opportunities a range of trading groups face. Therefore, engaging a broad range of stakeholders in programme design and implementation should be encouraged.

#### 4.3.6 Country-level ownership is a precondition of success

**Recommendation: Ensure a degree of flexibility and responsiveness to build country-level ownership**

Unsurprisingly, government ownership is a precondition for success. In the case of the Cambodia Trade SWAp, high-level political commitment to the trade development strategy through endorsement from the Prime Minister has supported critical processes, including significant institutional changes in the MoC to facilitate the coordination and implementation of the Trade

SWAp. In the case of RTFP, we see the value of high-level political engagement through the Tripartite process. RTFP also highlights the value of being flexible and able to respond to demand – this appears to have been appreciated by a range of stakeholders. This also emerged as one of the reasons why the ComMark programme in Lesotho was lauded by companies.

#### 4.3.7 ‘Champions’ facilitate success

**Recommendation: Identify and work with ‘champions’ to deliver and sustain Aid for Trade programmes**

These case studies demonstrate that ‘champions’ – from government, donors and programmes in this case, but we can anticipate also from the private sector and civil society – facilitate the success of Aid for Trade programmes. At the government level, the Cambodia Trade SWAp demonstrates the value of having a champion for the Aid for Trade initiative within government. It is very clear that, without the continued leadership of the MoC, the Trade SWAp concept would not be as close to implementation as it is today. There is a tension here, however. While MoC leadership and commitment to the Trade SWAp is critical, it does need to turn over responsibility and resources for certain aspects of the SWAp to other ministries for an integrated, cross-government approach to take place in practice.

The Cambodia case also demonstrates the value of having a donor champion. In this case, a key lesson is that the involvement of UNDP in the Trade SWAp, with its expertise in poverty issues, supported the human development focus of the SWAp and therefore the direction of trade policy and programming in Cambodia. Here, UNDP combined a focus on human development concerns with engagement with development partners, and has successfully built the required support for a trade strategy that includes the required links to poverty reduction goals.

In the Lesotho case, the dedicated leadership of the programme manager, who supported national ownership and alignment and came to the job with experience in the textile industry, was also cited as a key enabler of the programme’s success.

Identifying and working with these champions should help deliver and sustain Aid for Trade initiatives during, and beyond, the life of the programme or intervention.

#### 4.3.8 Government and donor coordination supports success

**Recommendation: Engage with and support coordination structures for Aid for Trade-related programme design, implementation and monitoring**

RTFP demonstrates, through the Tripartite COMESA–EAC–SADC Task Force, that inter-government coordination (coordination between country governments) can support trade development progress. It can do this by driving forward programmes, such as the North–South Corridor. It can also do this by implementing mechanisms for dealing with trade-related adjustment costs, as the COMESA Fund Adjustment Facility illustrates.

Donor coordination also supports success. Vital support for and coordination by UNDP, the EC, the World Bank and UNCTAD supported the success of the Cambodia Trade SWAp. However, this case also shows that, while a government champion (in this case the MoC) is important, for an integrated approach to trade policy to truly develop, other ministries need to be actively involved in the process and given responsibilities for elements of the agenda.

#### 4.3.9 Monitor trade and poverty impact

**Recommendation: Support efforts to monitor the trade and poverty impact of Aid for Trade programmes**

We have been able to anticipate what the trade and poverty impacts of these five examples of Aid for Trade may be. In some cases, there are pieces of evidence that suggest potential impact; in other cases, we can draw on theory and frameworks to anticipate what the trade and poverty outcomes of the Aid for Trade programme will be.

But the lack of rigorous impact assessments of what both trade *and* poverty impacts of these Aid for Trade programmes have been is somewhat problematic, and points to the need for more thorough monitoring and lesson learning on programme impacts – from both a trade expansion and a poverty reduction point of view. For example, in the case of the Trademarking and Licensing Project in Ethiopia, the initiative should, in theory, improve the farm-gate prices received by all specialty coffee producers, but this may not be the case. Only 15% of coffee producers belong to cooperatives directly engaged with the initiative and, while information on the initiative should extend beyond membership of the cooperative, there appears to be no monitoring of the extent to which this is the case. Disaggregated monitoring of how farm-gate prices change for female farmers and poorer farmers would enable an assessment of the success of the initiative with regard to benefiting poorer or typically marginalised farmers.

Involving trade and poverty experts in the design of Aid for Trade programmes, and M&E against these frameworks, seems critical if we are to understand how Aid for Trade programmes can support trade expansion and poverty reduction.

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## Annex 1: Case study long list

Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
UK	DFID	Africa	Ethiopia	(1) Trade Policy & Regulations	Agriculture sector	Explicit link to livelihoods in coffee sector; according to programme documentation, coffee sector is one of the poorest sectors in Ethiopia.	Licensing initiative appears to have been successful, coffee cooperatives appear to be among the beneficiaries of increased export earnings.	Definitive statement on poverty impact not possible based on documentation.
Sweden	Sida	Africa	Tanzania/ LDCs sub-Saharan Africa	(1) Trade Policy & Regulations	Capacity building – trade policy	The purpose is to strengthen LDCs and low-income sub-Saharan African countries' capacity within the field of trade policy. To strengthen countries' own trade policy formulation, analytical capacity and capacity to negotiate.		
France	UNCTAD	Asia	Cambodia, Laos	(1) Trade Policy & Regulations	Capacity building – trade policy			
Switzerland	UNIDO	Asia	Vietnam	(1) Trade Policy & Regulations	Technical assistance – standards	Reduce technical barriers to trade for Vietnam's exports in order to enhance the access to the global market.	Link to poverty reduction via strategy integrated with growth, but no immediate link between project outputs and poverty reduction.	
EC	UNIDO	Asia	Bangladesh	(1) Trade Policy & Regulations	Technical assistance – standards	Focus on horticulture sector, owing to relevance for		

Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
						employment creation for poor women.		
EC	UNIDO	Asia	Pakistan	(1) Trade Policy & Regulations	Technical assistance – standards	No direct or explicit link to poverty reduction.		
UK	DFID	Africa	Lesotho	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	Successful in speeding up administrative procedures.		
France		Africa	Cameroon	(1) Trade Policy & Regulations	Technical assistance – trade facilitation			
UK	DFID	Africa	(ECOWAS)	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	Project manager considers the help in form of payment of salaries of technical specialists as a contribution to helping ECOWAS prepare for negotiations; Considers link to poverty very remote.		
UK	UNCTAD	Asia	India	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	<b>Positive evaluation:</b> on impact on MoC ability to define negotiation position; on MoC's ability to consider 'livelihood' concerns in formulation of policy.	<b>Positive evaluation:</b> on inclusion of stakeholder consultation in policy development process, raising awareness and capacity regarding trade policy beyond government.	Included workshop on gender-sensitive trade policy. Unclear what Component II of the project constituted.
UK	DFID	Africa	Kenya	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	The Kenya Trade and Poverty Programme Secretariat 'has managed to achieve some notable progress	'The main gains made (and required for the project to be successful) are fairly long-term in nature, in	'It was therefore perhaps unrealistic to expect that the project would fully achieve its outputs

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Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
						towards the project's purpose.' Developing a pro-poor trade strategy is a core purpose, but the study on poverty-trade linkages is not complete.	that they relate to institutional change and capacity building.'	in a sustainable manner within the 18-month period that it was designed to cover.'
WTO	UNIDO	Africa	Zambia	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	Programme document claims that the focus on the food processing sector implies an indirect impact on rural poverty.		
Germany	GTZ	Asia	Brunei Darussalam, Indonesia, Malaysia, Philippines	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	Support to regional trade arrangements.	<ul style="list-style-type: none"> <li>• Support for regional institutions that are required for the development of international trade.</li> <li>• Stated goal is to promote export-led growth to increase wealth and employment and eventually poverty reduction.</li> </ul>	<ul style="list-style-type: none"> <li>• Explicitly states that disadvantaged groups and small and medium-sized enterprises (including in the agriculture sector) are intended to benefit.</li> <li>• Main results indicators do not address poverty-related concerns.</li> <li>• Report does not offer many tangible results.</li> </ul>
Sweden	Sida	Africa	Tanzania, Uganda, Kenya	(2) Trade Development	Agriculture sector	Export of organic products provides an opportunity to increase the value of exports	For a product to be marketed as organic, it must be certified according to the	

Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
						without increasing the degree of processing of the products.	requirements of importing countries.	
UK	DFID/ ComMark	Africa	Lesotho	(4) Building Productive Capacity	Textile industry	<b>Link to poverty:</b> HIV/AIDS programme to maintain human capital base. Continued growth of employment in textile industry. Attracted new investors.	1. Technical advisor. 2. Matching grant scheme for labour productivity. 3. HIV programme for work force. 4. Trade negotiations support.	
Sweden	Sida	Africa	Uganda	(2) Trade Development	Agriculture sector	The purpose is to improve the standards of living of African smallholder farmers through developing the exports of organic products.	i.e. to diversify the organic production and increase export volume and value, hence benefiting rural communities while exposing the local agriculture sector to sustainable farming techniques.	More than 30,000 farmers produce certified organic crops, and the value added paid into rural communities because of the organic premium was around \$930,000 in 2006. This should be compared with annual programme expenditure that year of \$1 million.
Germany	GTZ	Africa	Burkina Faso	(2) Trade Development	Agriculture sector	<ul style="list-style-type: none"> <li>• Agricultural development including value chain promotion.</li> <li>• Uses GTZ Value Links approach: <a href="http://www.value-links.de">www.value-links.de</a>.</li> <li>• Explicitly seeks to integrate poorest</li> </ul>	<ul style="list-style-type: none"> <li>• Progress report states that products for value chain promotion were selected based on poverty and social criteria.</li> <li>• Cassava is highlighted as a</li> </ul>	<ul style="list-style-type: none"> <li>• Indicators on incomes in the agriculture sector included. Positive impact measured.</li> <li>• Gender dimension considered in</li> </ul>

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Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
						groups into project approach. <ul style="list-style-type: none"> <li>Stated project goal is the support of the weakest links in the value chain.</li> </ul>	crop with important food security role as well as a crop with significant market potential.	M&E. <ul style="list-style-type: none"> <li>Indicators on food security included. Survey not implemented yet.</li> </ul>
France	AFD	Africa	Ghana	(2) Trade Development	Capacity building – private sector	Training and information on trade rules and legislation in French speaking countries (trade capacities).		
Germany	GTZ/PTB	Africa	Ethiopia	(2) Trade Development	Technical assistance – trade facilitation	Business support services and institutions: development of internationally recognised laboratory capacities, restructuring of the Quality and Standards Authority of Ethiopia.	Component of engineering capacity building programme; link to poverty reduction strategy; neither results indicators nor target groups are explicitly poverty-oriented; documentation cites a gender analysis, which expects a gender neutral impact.	Progress on micro level, but some macro-level blockages.
UK	DFID/RTFP	Africa	Zambia, Zimbabwe	(2) Trade Development	Technical assistance – trade facilitation			
UK	DFID/RTFP	Africa	Mozambique, South Africa	(2) Trade Development	Technical assistance – trade facilitation			
UK	DFID/ComMark	Africa	Mozambique	(2) Trade Development	Fishery sector	Successful in maintaining market		

Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
						access by ensuring compliance with standards.		
Sweden	Sida	Africa	Africa – regional	(3) Trade-related Infrastructure	Energy sector	Sida is contributing to the development of the regional electricity markets in Africa through support to the development of the regional construction plans and participation in the work of the South African Power Pool and through support for the development of power trading within the framework of the Nile Basin Initiative.		Evaluation is positive regarding the establishment of energy trading. Additional efforts are needed to establish a functional energy market. No direct links to poverty.
UK	DFID/RTFP	Africa	SADC	(3) Trade-related Infrastructure	Energy sector	DFID's views: too much of an infrastructure focus.		
France	AFD	Africa	Togo	(3) Trade-related Infrastructure	Infrastructure	Rehabilitation and improvement of road.		
France	AFD	Africa	Cameroon	(3) Trade-related Infrastructure	Infrastructure			
France	AFD	MENA	Morocco	(3) Trade-related Infrastructure	Infrastructure			
France	AFD	Africa	Guinea	(4) Building Productive Capacity	Agricultural sector			
Germany	GTZ	Africa	DRC	(4) Building Productive Capacity	Financing	Banking and financial services for micro and small enterprises.	Support to microfinance sector; owing to very scarce	No strong link to trade.

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Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
							microfinance supply, the project has a key role for development of the private sector and should also benefit poor producers.	
France	AFD	Africa	Madagascar	(4) Building Productive Capacity	Private sector development			
Germany	GTZ	Africa	Ghana	(4) Building Productive Capacity	Private sector development	Support to implementation of Private Sector Development Strategy (including local/regional economic promotion); improvement of business development services.	Focus on SMEs in service and productive sector. Finance component, energy for productive use.	
UK	DFID/ComMark	Africa	South Africa	(2) Trade Development	Agriculture sector			
UK	DFID/RTFP	Africa	Southern Africa			This is a regional programme under the auspices of the COMESA–EAC–SADC Tripartite Task Force aimed at improving efficiency of the North–South Corridor. (DRC, Zambia, Zimbabwe, Malawi, Botswana, Mozambique, South Africa and Tanzania).	Transport, i.e. roads, rail and seaports. It also looks at other trade facilitation issues to improve operational systems and regulatory frameworks.	
UK	DFID/RTFP	Africa	COMESA			Several infrastructure and trade facilitation issues. This project		

Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
						focuses on government capacity building (COMESA AfT Unit).		
France		LDCs	LDCs					
	ILO	LDCs	LDCs		Value chains	'By "upgrading" we mean a multidimensional process that helps to increase the economic competitiveness of enterprises and their clusters, and to have positive impact on the affected workforce, community, and society at large.'	'Includes a component focusing on "social dialogue" as prerequisite for social sustainable upgrading'.	
Germany	GTZ	Africa	Benin, Burkina Faso, Zambia	(2) Trade Development	Agriculture sector	Focus on cotton sector makes this a poverty-oriented programme. Improvement of social and environmental standards along the supply chain implies an impact on poverty reduction.	Existence of private sector partners guaranteeing a certain level of demand makes this an innovative and (probably) effective project, however, not necessarily scalable/replicable project (requires further investigation).	
IF	UNDP	Africa	Mali	(2) Trade Development	Agriculture sector	Project documentation claims link to poverty reduction as well as success in boosting export volumes. Information is not sufficient to understand project details.		

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Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
EC		Asia	Vietnam	(1) Trade Policy & Regulations	Capacity building – trade policy	The overall objective of the action is to assist Vietnam to improve and put in place conditions for sustained and stable economic growth through stronger integration into the global trading system and ultimately contribute in turn to poverty alleviation.	<ul style="list-style-type: none"> <li>• Help with implementing trade agreements.</li> <li>• Help with using WTO dispute settlement mechanism.</li> <li>• Component focused on analysing impacts of trade agreement, including social and poverty aspects.</li> </ul>	Would be interesting to find out about complementary measures.
EC		Africa	COMESA, EAC	(1) Trade Policy & Regulations	Capacity building – trade policy	Reviewing how to make adjustments for loss of revenue from trade taxes and identifying other budgetary support measures.	Implementing the Economic Impact Assessment studies and posting on the Regional Integration Office websites.	
EC		Americas	El Salvador	(2) Trade Development	Private sector development	<ul style="list-style-type: none"> <li>• Work on value-chains in milk and honey and with artisanal workshops.</li> <li>• Microfinance: how to link remittances and microfinance.</li> </ul>	Results indicators do not reflect a pro-poor focus.	
EC		Middle East and North Africa	Tunisia	(2) Trade Development	Private sector development	<ul style="list-style-type: none"> <li>• Private sector modernisation programme.</li> <li>• No explicit link to poverty.</li> </ul>		

Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
Government of Cambodia		Asia	Cambodia	(1) Trade Policy & Regulations	Capacity building – trade policy	'Domestic Trade promotion and local market expansion: removal of still existing constraints, promote proximity of market places to small producers, work with institutions concerned to ease transportation of goods.'	'Concrete measures to assist small trade business and women entrepreneurs in trade areas.'	'Raise the business community awareness regarding the rules of the new trading environment, involve the civil society in the preparatory work leading to trade negotiations.'
EC		Asia	Cambodia	(2) Trade Development	Private sector development	<ul style="list-style-type: none"> <li>• Small and medium-sized enterprise development in agro-processing sector,</li> <li>• Includes value chain approach in agro-processing sector.</li> </ul>		
World Bank		Asia	Cambodia	(1) Trade Policy & Regulations	Capacity building – trade policy	Support programme for the implementation of the Trade Sector Programme.		
EC		Asia	Cambodia	(1) Trade Policy & Regulations	Capacity building – trade policy	The purpose is to support the government in developing and implementing a more detailed and coherent trade policy that contributes to the broad-based and sustainable economic development of Cambodia (within the	The sector programme will be implemented in two phases. In the first, institutional and human resource capacity building will be central.	In the second phase, implementation of priority policy elements will take centre stage (while capacity building will continue on specific issues).

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Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
						broader framework of the National Strategic Development Plan).		
UNDP	UNDP	Asia	Cambodia	(1) Trade Policy & Regulations	Capacity building – trade policy	UNDP manages a trade-related assistance project with four modules: regular updating of the DTIS (including its trade-related technical assistance matrix); national capacity building on trade and poverty; executing a HDIA of trade policy reforms;	and the identification and promotion of new employment-oriented trade sectors for diversification.	It is further working on a programme of support for the implementation of WTO commitments in commercial arbitration and the establishment of a commercial court.
UK	COPLA (Trade and Poverty in Latin America)	Americas	Andean countries	(2) Trade Development	Value chains	Participatory Market Chain Approach and Stakeholder Platforms.	Helps poor potato producers to generate new products and link up with other market actors.	
USAID		Americas	Peru	(2) Trade Development	Financing	Innovative approach to microfinance based on linking producers to buyers; buyers repay the loan taken put by producer.		
USAID	Chemonics, Crimson Capital	Americas	Bolivia	(2) Trade Development	Financing	Strengthen the competitiveness of rural enterprise in the Chapare and Yungas, increasing sales, incomes and jobs in a licit economy.	Purchase Order Finance.	
World Bank		Africa	Mali	(2) Trade Development	Value chains	Supply chain development.		

Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
World Bank		Middle East and North Africa	Tunisia	(2) Trade Development	Export promotion	This is seen as one of the more successful investment projects in the area of export promotion. It has been delivered in two major phases, the second of which was subsequently expanded with additional money.	The project seeks to enhance the ability of Tunisian private exporters to integrate themselves into the global economy and additionally to foster export competitiveness of Tunisian firms by mitigating some of the disadvantages that they are encountering relative to their foreign competitors.	1. Consultant services. 2. Pre-shipment export finance guarantee. 3. Trade facilitation.
World Bank		Asia	Laos	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	The objective of the Customs and Trade Facilitation Project for Laos is to facilitate trade by improving the efficiency and effectiveness of customs administration.		
World Bank		Africa	Ethiopia	(2) Trade Development	Private sector development	The key objective of the project is to facilitate increased participation of the private sector in the economy by creating conditions for improving its productivity and competitiveness.		

Donor/s	Implementing agency	Region	Country	AfT category	Sector/entry point	Comments		
World Bank		Africa	Mauritius	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	There is a policy-based lending programme in Mauritius that was prompted by the global interest in AfT that focuses on helping Mauritius	adjust to external shocks (initially preference erosion, more recently the commodity price shocks and financial crisis).	Development policy has been accompanied by analytical work on consequences for poverty reduction of the external shocks and the government's trade reform programme.
World Bank		Eastern Europe	Multiple	(1) Trade Policy & Regulations	Technical assistance – trade facilitation	This multi-country project defined the standards for much of the World Bank's work on trade facilitation in recent years.		
	ACU Task Force	Africa	Zambia	(2) Trade Development	Value chains	This paper advocates an approach which marries value chain analysis with a stakeholder taskforce to ensure that analysis of opportunities and constraints gets translated into actions that will facilitate commercial growth.	Using Zambia's cassava task force as an example, the paper describes the value chain task force method and identifies elements critical to its effective implementation.	

Source: Compiled by the authors. Based on web-based searches, a review of the literature, key informant interviews and submissions from a core group of EU Member States.