

## Second Global Aid for Trade Review

### Aid for Trade: Assessing Impact and Effectiveness

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Speaking Notes for Kate Bird

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### Aid for Trade: building a route out of poverty

Many developing countries have not been able to capture the benefits of trade. There are differences between countries and within countries. Access to international markets remain a problem for developing countries, particularly for agricultural commodities but the work recently completed by the Growth and Equity Programme at the Overseas Development Institute is going to focus on 'behind the border' constraints. These were discussed yesterday and in some parallel sessions today in some detail.

I am not going to list the constraints now in any detail, due to a lack of time, but we could come back this issue later in the question and answer session, if there is time.

#### Box 1: Common behind the border constraints in low income developing countries

- High transport costs
- Absent or unsupportive policies and regulations
- Red tape around exporting
- Inadequate export and trade negotiating skills
- Market fragmentation
- Poor product standards
- Low productivity and competitiveness
- Lack of export diversification
- Low value added

Aid for Trade has the potential to reduce these constraints. AfT can and does enhance trade performance, but this is only part of the picture. Therefore, when thinking about indicators for AfT impact I would like to **widen the debate**. Aid for Trade related programmes and projects can support aid recipient countries to:

- Increase the volume and value of trade

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- Enable a wider range of producers, workers, traders and entrepreneurs to engage in trading sectors – and in such a way that they benefit
- Reduce the negative impact of trade-related adjustment – particularly where poor people are affected

In order to identify effective Aid for Trade programmes, countries and their international development partners need to:

1. Identify binding constraints – with a good understanding of context
  - Whose constraints?
  - Where?
2. Identify entry points (levels may vary from national policy – Cambodia's Trade SWAp – to project – organic cotton in Northern Uganda)

This suggests that differential analysis is crucial. Who is doing what where? What constraints do they face? What opportunities are available?

From this we can identify what can be done to reduce constraints and capture opportunities (at the aggregate level, for the country, and the disaggregated level for different groups within the economy and society).

Aid for Trade can increase the volume and value of trade. Through this it can increase household income – generating direct benefits – and increase government tax take – generating the possibility of indirect benefits through public spending.

Moving quickly on to providing some examples, as I am running out of time:

#### **Lesotho – Textile and Apparel Sector Programme**

Creates jobs – particularly for women, who make up a large proportion of the workers in the sector - by encouraging diversification and building the textile and apparel sector's productive capacity.

#### **Ethiopia – Trademarking and Licensing (coffee)**

Has helped producers of 3 premium coffee varieties get higher and more stable prices.

#### **Cambodia – Trade SWAp**

Has encouraged an all of government approach to developing and implementing the trade strategy. Poverty reduction has been mainstreamed into this strategy.

#### **Comparative Analysis of Cotton case studies**

- Cotton Made in Africa
- Better Cotton Initiative
- Lango Organic Cotton Project

All aim to increase producer's income and provide them with more stable markets.

## **Indicators for assessing Aid for Trade.**

Firstly we need to be clear about what the monitoring and evaluation of Aid for Trade is about. Is it for accountability or learning? If accountability, does accountability flow upwards (to governments and externally to donors, donor parliaments and their electorates) or downwards to the citizens of aid recipient countries. If learning, who aims to learn, and through what process?

Donors need to apply the Paris principles and monitoring and evaluation (and impact assessment) systems need to build on pre-existing national systems of data collection, analysis and dissemination – with additional gap filling where necessary. They need to be developed to meet the information needs primarily of governments (and their citizens) as well as their international development partners. It is important that the indicators used to monitor Aid for Trade provide useful information (in a timely and user-friendly manner) on all stages in the results chain including inputs, outputs and impacts, as well as assessing the quality of the processes that make up this chain.

In developing such systems, the Aid for Trade 'sector' needs to learn from experience elsewhere in the development sector, for example from the monitoring and evaluation of the Poverty Reduction Strategies on-going around the world and the tracking of performance against MDG targets.

Given my remit on this panel I will now focus on three important clusters of indicators:

1. farm-gate prices, wholesale and fob prices. These price signals (which could be collected from sentinel sites around a country) can assess market integration, over time and space.
2. The contribution by sector/ sub-sector and district to changes in the volume and value of trade.
3. The traded component of household income (could be added to household surveys and assessed by district, income quintile, gender of household head) and could assess the degree to which AfT is enabling people from different groups to engage in and benefit from trade.

Others in the panel will no doubt want to say more about other sorts of indicators and also how we can assess the impact of aid for trade through the use of indicators that capture a differentiated picture within households and between different social groups, but I have run out of time and need to stop there.

## Highlight lessons on Aid for Trade – from selected case studies

Work by ODI, commissioned by DFID and Sweden, has found:

- **Genuine stakeholder engagement improves programme design and local ownership.** Engagement between government, the private sector, donors and producers positively supports AfT 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 poorest and most marginalised.

### **Box 2: Indicators to assess ownership and the quality of government-donor partnership**

**Indicators are necessary which assess the quality of harmonisation and alignment and effective stakeholder consultation** (beyond parliamentarians and trade-related technocrats to include private sector [including MSMEs, farmers] civil society and people from different sectors/ livelihood, gender and ethno-linguistic group)

- Support national ownership of AfT M&E/ impact assessment:
  - M&E framework (and targets) developed in collaboration with aid recipient government(s) - tailored to country priorities and concerns and building on nationally available data

This suggests that indicators should measure process as well as inputs, outputs and outcomes

- **Good understanding of national markets/ economy and society supports good AfT design**
  - differential opportunities and binding constraints experienced by different social, income, geographical or livelihood groups
  - helps identify entry points for AfT – so that interventions support
    - trade development outcomes (volume and value of trade)
    - broaden access to national and global markets
      - inclusive growth and poverty reduction
      - livelihood and development outcomes – including for poor workers, producers, traders and entrepreneurs
    - can highlight potential adverse impacts of trade/ trade adjustment – enabling the effective design of mitigation
  - anticipated impact of changes in trade/ trade related adjustment – positive and negative

- So – **knowledge of how trade does (or could) benefit/ damage different groups** can contribute to improving programme and policy design

### Box 3: Indicators of positive inclusion

- Who is engaged in trade? Who is excluded? What are the processes of exclusion (and inclusion)/ barriers and constraints/ awareness and take-up of opportunities? – change over time
- (behind border) Constraints to trade (disaggregated by sub-sector/ product, locality (e.g. District), income quintile / farm size / enterprise size, gender of household head/ entrepreneur)) – change over time
- Price – change over time and space (Monthly? Quarterly? Measured at port/ airport, and at agreed sub-national sites – to understand degree of price transmission through economy)
- Source of increased (decreased?) trade volume and value - change over time (disaggregated by sub-sector/ product, locality [e.g. District], income quintile / farm size / enterprise size, gender of household head/ entrepreneur)
- Household income derived from traded goods (include in national household survey/ sectoral or location-based surveys)
- Impact of changes in trade on people can be assessed using disaggregated indicators for each transmission channel. For example:
  - Prices: price changes (rural versus urban, food versus non food items)
  - Employment: unemployment (disaggregated by sector, sex, region)
  - Assets: based on household surveys, changes in a composite asset index
  - Access to goods and services: Net enrolment ratio
  - Transfers: people benefiting from social protection programmes aimed at mitigating against the trade policy changes – disaggregated again
- Role for Q-squared studies? E.g. combining qualitative exploration of the how and the why with survey data on the what.

- Effective AfT interventions can take place at **different levels**
  - **National policy** - inter-ministerial collaboration – (Cambodia SWAp)
    - Allows for an explicit linkage between trade strategies and broader national development frameworks
    - Allows macro-level policy formulation to be linked to the productive sectors.
      - an integrated approach to trade policy - with links to sector-specific dialogue
      - cross-cutting reform interventions aligned with sector-level priorities to generate employment and pro-poor economic development (through projects/ micro-level interventions).
  - **Regional (RTFP)**
    - Addresses common (cross-country) constraints
    - Improves regional trade
    - Supports regional integration
  - **Supply chains/ value chains/ markets**
    - Value chain (Ethiopia coffee)
    - Product (cotton case study)
    - Location (cotton case study – organic example - Lango, Uganda)
    - **Work with business to strengthen transparency in supply chains and markets.**
      - Important to work with business partners to achieve export success and integrate poor producers into global supply chains.
      - public sector support can play an important role in enhancing the transparency in supply chains
        - track and trace systems
        - strengthening M&E

#### **Box 4: Contextual analysis**

Preference should be for **Q-Squared analysis** (combined, sequenced and triangulated qualitative and quantitative analysis). This might include:

- **Documentary review** (context analysis/ ex ante analysis *versus* documents related to project and programmatic development)
- **Stakeholder engagement** – explore decision making processes and etc around the match between identified AfT entry-points and programmatic/ project development
- **Programme/ project related impact assessment and M&E documents** (analysis disaggregated by income group, livelihood group, location, gender and socio-cultural group where possible)