

Tips and tools for Aid for Trade, inclusive growth and poverty reduction

Brief 2, September 2010

Integrating poverty and social analysis into Aid for Trade programmes: trade policy and regulation

1. Introduction

Aid for Trade supports developing countries to expand trade and to promote growth, development and poverty reduction. A key part of this lies in promoting trade expansion at the aggregate level. But to maximise outcomes, the way different social and economic groups, such as informal traders, small and medium enterprises, migrant workers and female traders, engage with trade also requires attention.

Poverty and social analysis provides disaggregated insights into the trade-related opportunities, barriers and risks facing different groups of people. It informs and strengthens trade policies and programmes in ways which contribute to trade expansion, inclusive growth and poverty reduction.

This brief provides advice on how to use poverty and social analysis in the formulation and implementation of trade policy and regulation. Specifically, it **examines how to integrate poverty and social analysis into trade diagnostics, trade policies and trade agreements**. It is accompanied by two other briefs in the 'Tips and Tools for Aid for Trade, Inclusive Growth and Poverty Reduction' series. Brief 1 presents an overview on integrating poverty and social analysis into Aid for Trade programmes and Brief 2 addresses trade facilitation and trade-related infrastructure.



Photo credit: Oxfam International

Women selling fish at market in Indonesia.

2. Trade policy and regulation: the context

Aid for Trade support to trade policy and regulation is wide ranging. It involves activities seeking to address: institutional constraints to more effective participation in trade policy and negotiations; the integration of trade-related priorities across government and the economy; and the legal, regulatory and policy framework for trade expansion.

Such assistance often focuses on institutional strengthening and building capacity to develop and implement trade policies and regulations and to negotiate trade



agreements. It is often in the form of technical assistance, such as training and analytical support, to government (e.g. trade and trade-related ministries), regional economic communities, the private sector and civil society organisations. In particular, significant support has been provided to strengthen the negotiating capacity of developing countries (especially least-developed countries, LDCs), for example in European Union–African, Caribbean and Pacific (EU–ACP) economic partnership agreements (EPAs) and World Trade Organization (WTO) negotiations. Box 1 outlines examples of support classified under the trade policy and regulation Aid for Trade category.

Box 1: Examples of Aid for Trade support to trade policy and regulation

Supporting trade diagnostics

For example, country Diagnostic Trade Integration Studies (DTIS) analysing specific sectors and sub-sectors of the economy; the country's trade policy (especially tariff policy); market access, transport and trade facilitation; and the relationship between trade and poverty.

Formulating trade policy

For example, Swedish support to a Trade Policy Training Centre in Tanzania to provide both vocational and academic training on trade policy formulation and implementation.

Supporting the negotiation and implementation of bilateral, regional and multilateral trade agreements

For example, financial and technical support to African countries to chair the WTO LDC Group (funded by the UK); support to the Southern African Development Community (SADC), East African Community (EAC) and Eastern and Southern Africa (ESA) Secretariats in the context of EPA negotiations with the EU (funded by the UK and EU); and support to strengthen the EAC and SADC Secretariats and foster regional integration (funded by Germany).

Managing interactions between trade and other policies, including trade mainstreaming

For example, the Enhanced Integrated Framework (EIF) programme to integrate trade into national development strategies of LDCs and to assist in the coordinated delivery of trade-related technical assistance in response to needs identified by each LDC (multi-agency); or, for example, support to mainstream trade in Cambodia's national development and poverty reduction strategy (multi-donor).

Generating trade-related information

For example, databases on import tariffs and market access barriers provided by the International Trade Centre (ITC).

3. Trade diagnostics: integrating poverty and social analysis

Poverty and social analysis can inform trade diagnostics, including Diagnostic Trade Integration Studies, value chain analysis and trade-adjusted growth diagnostics.

3.1 Integrate inclusive growth and poverty reduction considerations in Diagnostic Trade Integration Studies

Trade diagnostics seek to understand the opportunities for, and constraints to, trade expansion. Diagnostic Trade Integration Studies (DTISs), conducted as part of the Enhanced Integrated Framework (EIF), are a widely used trade diagnostic approach. The EIF was established to support LDCs in trade capacity, integrating trade issues into national development strategies and using trade as a tool for poverty reduction. DTISs typically focus on: achieving trade expansion and increasing export competitiveness; exploring trade policies, trading opportunities and supply-side constraints (e.g. bottlenecks related to transport and trade facilitation); and analysing the export potential of particular sectors and sub-sectors. DTISs also recommend areas for policy intervention and donor assistance through the development of action/implementation matrices.

Understanding how to improve export potential is critical. But how trade contributes to equitable and sustainable development is also important, and is one of the guiding principles behind Aid for Trade. This needs to be integrated into trade diagnostics, and poverty and social analysis can support this process. Box 2 highlights the kinds of questions that can be incorporated into trade diagnostic assessments at the sectoral level to ensure the examination of inclusive growth and poverty reduction concerns.

Based on this analysis, it is possible to generate a development index to assess sectors' inclusive growth and poverty reduction potential. This can help promote the consideration of these issues in trade policy discussions and decisions.

This approach was taken in Cambodia's 2007 DTIS, in which a human development index was developed based on an estimate of 2005–2006 employment in different sectors, along with estimates of the potential for employment creation (for both women and men), income generation, poverty reduction, rural development and environmental sustainability, as well as the impacts and extent of forward and backward linkages. This information was based on quantitative and qualitative data and the assessment was presented in a summary table (Table 1).

Box 2: Questions to assess the potential poverty reduction impact of key sectors

Inclusion and exclusion

Which typically poor and excluded social and economic groups are engaged in and excluded from the sector?

- e.g. Women, informal traders, micro-entrepreneurs, ethnic minorities, migrants, landless labourers, smallholder farmers.

How are these groups engaged in the sector and what are the terms of this engagement?

- e.g. Is engagement through consumption, production or employment related to trade? Are the terms of this engagement positive (i.e. stable prices for consumers and producers, good employment conditions) or negative (i.e. price fluctuations, thin markets, inadequate labour protection)?

Why are these groups excluded from the sector? What are the obstacles?

- Skills, education level, language, credit, infrastructure, transport, discrimination (based on gender, race, religion).

Implications of trade expansion

What would be the implications, both positive and negative, of trade expansion for poor and excluded women and men currently engaged in or excluded from the sector?

- e.g. Employment generation, income generation, rural development through government or private sector investment, access to markets, price changes.

How could policies and programmes support opportunities, remove barriers and mitigate adverse effects in relation to the sector?

- e.g. Access to credit, improved and more affordable transport, more efficient and user-friendly customs and border processes, vocational education, business support services.

A strong focus here is on income and employment generation outcomes, but the dynamics that influence these require attention. In-depth, qualitative analyses can support this, informing the action matrix that stems from the DTIS. The Cambodia DTIS incorporated this approach by examining the rice, fisheries, soybean, corn and garment industries. Box 3 (overleaf) synthesises this analysis to illustrate how this can be done.

It is important to give particular consideration to gender dimensions in the DTIS process, given the often different opportunities and barriers that women and men face in trade. Through work led by the Expert Roundtable on the Gender Dimension of the EIF, strong attempts are being made to incorporate gender into the EIF process, especially DTISs (ITC et al, 2008).

A key recommendation from the roundtable was that sectoral analysis undertaken as part of the DTIS process needs to identify the role and participation of women in different sectors, including the opportunities and constraints they face. The roundtable also recommended that the DTIS action and implementation matrix is designed to help direct more resources to gender integration activities, thereby increasing the effectiveness of the interventions and accelerating the full integration of women in the mainstream economy.

3.2 Undertake value chain analysis

Value chain analysis can be used to identify areas of underperformance in a sector and to inform policy responses to tackle these and improve productivity. The approach seeks to identify who is involved at different points of a value chain (production, distribution, exporting and importing) and how the benefits from trade are spread across the production structure. It also seeks to identify key legal, policy or regulatory bottlenecks along the value chain, and particularly where these impact poor and marginalised groups.

Table 1: Incorporating human development considerations into an assessment of export development opportunities in Cambodia

Source: Ministry of Commerce and UNDP (2007).

Sector	Export potential					Human development	
	Estimated exports in 2005 (\$1,000)	Export performance	World markets	Domestic supply conditions	Export potential assessment	Estimated employment	Human development assessment
Garments	2,610,766	H	H	H	H	360,000	H
Rice	20,000	H	L	M	M	2,940,000	M-H
Fishery	100,000	M	M	H	M	260,000	M-H
Cassava	13,000	L	H	H	H	4,000	L

Box 3: Poverty and social considerations in the Cambodian fishery sector

Interventions in the fishery sector could have medium to high human development impact, states the DTIS. Three key reasons for this are:

- Gender inequalities in small-scale trading: Along the fishery supply chain, women are concentrated in small-scale trading. Women are in a weaker bargaining position than men traders because they have both less capital (thus are more vulnerable to price fluctuations) and fewer connections to government officials.
- Demographics: Fishing is often carried out by poor farmers as a supplementary activity. The age distribution of those involved in the fishing industry closely resembles the overall age distribution of the labour force in Cambodia. There is a substantial literacy gap between women and men in the fishing industry. Addressing this is important not only to reduce gender disparities but also to enhance the bargaining power of poorer fishing families dealing with larger and more diverse markets.
- Living standards: Individuals in the fishery sector display greater signs of poverty.

Priorities for action include the following:

- Strengthening small-scale fisheries: Fisherwomen and men in Cambodia face several common problems that can best be addressed collectively. There is a role for small-scale fisher associations in this area, in particular women's groups.
- Reducing legal, institutional and infrastructural impediments to trade: A critical source of inefficiency lies in the substantial barriers to trade posed both by infrastructure and by official and non-official facilitation fees. Given that poor people and especially women are the most exposed to fees and licence arrangements, there is a need to improve the accessibility of licences and permits as well as to increase the transparency of regulations. This will also serve to make Cambodian fish production more reflective of cost price and hence more competitive on the global market.

Source: Ministry of Commerce and UNDP (2007).

The US Agency for International Development (USAID) Greater Access to Trade Expansion (GATE) project has developed a pro-poor value chain approach, with a specific gender focus (USAID, 2009). GATE uses value chain analysis to explore opportunities to improve market outcomes, raise productivity and wages and to foster pro-poor growth in the sector being analysed.

Box 4 outlines how the USAID GATE project conducted pro-poor value chain analysis of cowpeas in Nigeria. This type of analysis can be used to inform the trade diagnostic process.

Box 4: Pro-poor value chain analysis of the cowpea value chain in Kano, Nigeria

The cowpea is one of the most nutritionally and economically important indigenous African grain legumes. It plays a key role in the agriculture and food supply of Nigeria. The GATE project conducted a value chain analysis of cowpeas in Kano, Nigeria, to provide recommendations to USAID's Maximizing Agricultural Revenue and Key Enterprises in Targeted Sites (MARKETS) project on how to increase the participation of and benefits to the poor, particularly women, in the cowpea value chain.

The analysis revealed that the cowpea value chain has many actors – of which the most important are producers, farm workers, grain merchants, grain retailers, processors, commercial food preparation businesses (formal and informal) and consumers.

It was recommended that the primary objective of interventions be to assist those with poor returns to improve or expand their business activities. It was noted that, for interventions to be effective, they would have to be cognisant of the strong cultural and religious practices that influenced occupational segregation and division of labour among women and men in the region. Specific recommendations included:

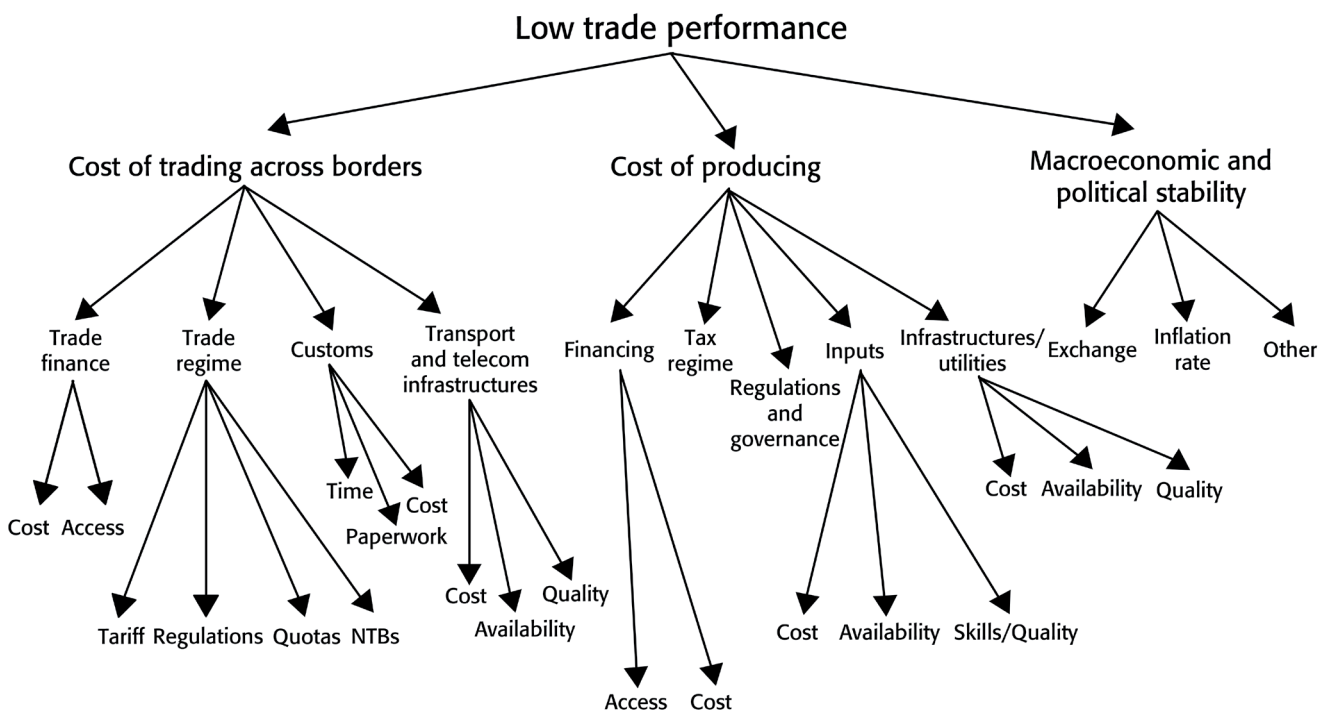
- Support to farmer education and training, to ensure that smallholder farmers, both women and men, have the skills to compete.
- On-farm cowpea storage to increase returns to production.
- Gender analysis to help identify and design interventions that improve women's participation in industrial cowpea processing.
- Networking organisations for informal cowpea processors and vendors, to lobby for and support training in production and marketing techniques.

Source: USAID (2008).

3.3 Promote disaggregated trade-adjusted growth diagnostics

Trade-adjusted growth diagnostics can also help pinpoint the key constraints to achieving trade expansion. Frequently mapped out through a decision tree, and informed by extensive data and consultations, this can identify trade-related bottlenecks at a sectoral level. The decision tree in Figure 1 quickly moves from the problem – low trade performance – to isolating some of the key potential constraints (access and cost of trade finance and credit for producers, skills/quality of inputs, trade regulations and tariffs, etc) that can be the target of specific interventions. Conducting this diagnostic work in a disaggregated way, and using this analysis to inform policy and programming decisions, can help heighten pro-poor impact (see Haellert and Munro, 2009).

Figure 1: Trade-adjusted growth diagnostic



Source: Haellert and Munro (2009).

3.4 Engage stakeholders in the trade diagnostic process

For trade diagnostics to be most effective, they need to be informed by and conducted in close collaboration with stakeholders representing a range of social and economic interests and characteristics. Civil society fora can provide an opportunity for poor and excluded women and men (e.g. informal traders, migrants, ethnic minorities) to inform trade diagnostics by articulating the particular challenges they face in accessing the benefits of trade. Inclusive approaches to stakeholder consultation and participation in the diagnostic phase facilitate a broader understanding of the interplay between social differences and trade or regulatory policies and programmes. It is important that those who typically do not have a strong voice in planning, such as female traders, rural producers and migrant associations, are involved. It is also vital to take into account particular issues, such as women's care and household responsibilities, access to transport and information barriers (see Brief 1 for more on stakeholder engagement and participation). Doing this can help support greater participation in trade and, as a result, drive growth and poverty reduction.

4. Trade policy formulation: integrating poverty and social analysis

Poverty and social analysis can support the formulation of trade policy by informing trade mainstreaming, trade and export strategies and particular trade policy proposals.

4.1 Trade mainstreaming: make the links between trade and development

Trade issues are often inadequately integrated into national development strategies such as poverty reduction strategy papers (PRSPs). Trade mainstreaming requires a two-step approach: identifying trade interests within the context of development objectives; and identifying the trade and trade-related strategies, policies and measures required to achieve these objectives.

Poverty and social analysis can help ensure that the process of integrating trade into national development strategies gives sufficient consideration to how trade can contribute to inclusive growth and poverty reduction. The process of mainstreaming should bring together relevant ministries (e.g. trade, finance, agriculture, infrastructure, gender), the private sector and civil society to work towards furthering the trade and development agenda within the country.

Donors can, for example, support the trade mainstreaming process in the following ways:

- Facilitate participation of trade-related institutions in the formulation of national development strategies.
- Support technical working groups and analytical work exploring the role of trade in achieving a country's development objectives.
- Facilitate national (and regional) committees on Aid for Trade, which include key stakeholders (including civil society), to assist in determining country needs and priorities and translating these into bankable programmes and projects that address inclusive growth and poverty reduction dimensions.

Box 5 suggests key questions for examining the link between trade and broader development objectives. Poverty and social analysis can support this process.

Box 5: Questions for examining the link between trade and development objectives

- What are the linkages between trade, inclusive growth and poverty reduction?
- How are trade and its linkages with inclusive growth and poverty reduction dealt with in the national development strategy, trade policies and export strategies?
- Is the understanding on linkages between trade and poverty sufficient to design policies and strategies integrating trade with a pro-poor bias?
- How can the linkages between trade, inclusive growth and poverty reduction be better integrated in national development strategies, trade policies and export strategies?
- Which stakeholders need to be involved in defining objectives on trade and development (civil society and private sector organisations, including groups representing women, informal traders, small and medium enterprises)?

4.2 Poverty and social analysis in national trade and export strategies

4.2.1 A case study: Uganda's gendered national export strategy

A number of countries have started examining national trade and export strategies from the perspective of inclusive growth and poverty reduction. For example, the Uganda Export Promotion Board has prepared the National Export Strategy: Gender Dimension (UEPB, 2009), integrating concerns over greater gender equity into its export strategy. This strategy identifies crosscutting constraints to women's participation in exports, including: inadequate implementation,

monitoring and enforcement of gender policy; limited specific programmes to empower women; and cultural practices that constrain women's control of land. It also identifies priorities that could benefit female producers, entrepreneurs and workers, and identifies four priority sectors (coffee, commercial crafts, dairy products and tourism) which have the potential to increase the participation of women in export trade. Box 6 outlines the criteria adopted for selecting these priority sectors.

Box 6: Criteria for selecting priority sectors for gender impact in Uganda

Priority sectors were selected according to the following criteria:

- Sectors where relevance to national socioeconomic goals is strong, including greater participation of women in the economy and exporting.
- Sectors where women have demonstrated high potential for entrepreneurship/investment but their capacity is hampered by factors such as finance, information and skills.
- Sectors experiencing a high level of growth in international markets and in which women's participation is visible in the value chain.
- Sectors with high potential for value addition and where women have the capacity for growth and sustainability.
- Sectors where production resources (competitive advantage) are readily available but not equitably shared by men, women and vulnerable groups.

Source: UEPB (2009).

By incorporating gender analysis, the strategy provides a useful basis for designing trade and regulatory policies and programmes that will increase the participation and improve the terms of engagement of women in trade, leading to higher levels of productivity and growth. Specific recommendations outlined in Uganda's strategy include:

- Introduce gender classification and reporting among all service providers in the commercial environment.
- Reduce the length of time it takes women to register a business, obtain a licence and commence operations by 40%.
- Develop an active databank on global product requirements that meets the needs of women to export.
- Target major national infrastructure development to support export infrastructure in gender-sensitive sectors, especially coffee and dairy production, as well as handicrafts.

There is a strong economic rationale in this approach. For example, coffee is a major export sector, and a major

income earner for rural populations. Women are the main planters and producers, but their productivity is very low. The gendered analysis helped reveal constraints to women's engagement in coffee production and trade and identified ways to tackle this. This should increase the efficiency of production in the sector and support trade expansion and economic growth.

There is also a strong equity and poverty reduction rationale. Taking action to improve women's productivity will have broader positive spill-over effects: it is likely to increase their income, strengthen their bargaining position in the household and result in increased health and education investments in their children.

4.2.2 A framework: Gender Integration Strategies for Trade

USAID has drawn on poverty and social analysis to develop gender-sensitive indicators as part of its work programme on Gender Integration Strategies for Trade (GIST). The framework has been developed to inform the design of trade policy, and institutional and regulatory reform, from a gender perspective (see Table 2 overleaf).

This approach could easily be adopted to look at other forms of social difference, such as livelihood group, ethnicity, caste or location.

4.3 Analyse the human development impact of policy proposals

4.3.1 Human Development Impact Assessments

Human Development Impact Assessments (HDIA) can assess the potential development outcomes of trade policies and can identify measures that can ensure that a policy contributes positively to inclusive growth and poverty reduction and/or can ameliorate adverse impacts. An HDIA is a participatory exercise aimed at bringing together all relevant stakeholders and representatives of groups most likely to be affected by a policy. Box 7 provides a checklist of questions for conducting a HDIA of a trade policy reform.

4.3.2 Poverty and Social Impact Analysis and Poverty Impact Analysis

Poverty and Social Impact Analysis (PSIA) can be used to examine the potential or real distributional impact of policy reforms or programmes on different stakeholder groups, with a particular focus on poor and excluded women and men. This information can feed into policy design and redesign, policy sequencing and the development of complementary or mitigating policies. By involving a range of stakeholders, PSIA seek to

Box 7: Ex-ante Human Development Impact Assessment of a trade policy reform – checklist of questions

Determining trade policy changes and expected effects

Which trade policies are being analysed?

- e.g. WTO accession, implementation of a WTO or regional trade agreement.

What are the expected effects or changes?

- e.g. trade and investment flows, technology, tariff revenue.

Who are the people, groups and institutions most likely to be affected and how?

- e.g. poor and excluded groups through changes in incomes.

How are the impacts likely to be channelled?

- e.g. prices, production, employment, government revenue.

What are the measures of human development being assessed?

- e.g. poverty alleviation, income growth, access to goods and services, access to human, physical, natural, social or financial assets, gender impacts, impacts on children, food and security, environmental sustainability, community provision. The choice of components will depend on the context and will change under review, and can be determined through a participatory process with stakeholders.

What are the likely impacts on groups or communities, in terms of human development outcomes?

- e.g. changes in social well-being, standard of living, working conditions.

What are the likely impacts on the institutional, legal and regulatory environment? And how will these affect human development outcomes?

- e.g. customs procedures, health, safety and environmental regulations.

Which institutions as well as formal and informal power structures will affect the outcomes?

- e.g. government, private sector, civil society.

HDIA implementation considerations and constraints

What are the data and knowledge constraints?

- e.g. where secondary literature and data are inadequate, surveys can be undertaken.

Post-assessment considerations

What will be the impact on policy space?

- e.g. whether any limitations on policy space will impact on the ability of governments to achieve development goals.

What monitoring mechanisms and mitigation measures are needed?

- e.g. participatory monitoring frameworks to generate information to alter and improve policy implementation and/or mitigate negative impacts and/or reform policy if necessary.

Source: Adapted from Oh et al (2008) and UNDP (2008).

contribute substantially to transparency and ownership, giving the results more weight in decision making and implementation. PSiAs have been used widely to conduct assessments of trade policy reforms (e.g. in Cambodia, Madagascar, Indonesia, Mongolia and Vietnam). A broad toolkit of methods is available. A mix of quantitative and

qualitative tools and economic and social approaches should be adopted. The choice of tools and approach will depend on the policy or programme being analysed and the information and resources available. The process of choosing the tools should involve the participation of key relevant stakeholders.

Table 2: USAID Gender Integration Strategies for Trade – governance, transparency and interagency coordination

Gender issues	Design and implementation approaches	Indicators
Would legal reforms have different implications for women and men?	<ul style="list-style-type: none"> • Conduct a gender analysis of impacts of reforms. • Modify language in the proposed legal/institutional reforms to be gender sensitive. • Partner with women’s associations to develop reforms that are particularly beneficial to women and the poor. 	<ul style="list-style-type: none"> • Number of reforms modified to have a gender-neutral impact. • Number of reforms promoted that would benefit poor women. • Number of these reforms that were adopted.
Do government agencies embarking on legal reforms understand the gender implications of their reforms?	<ul style="list-style-type: none"> • Training for government line ministries on legal bias or on gender-differentiated effects of reforms. • Training of ministry staff on how reforms can be implemented to benefit the poor and women. • Advocacy for gender analysis of trade and legal reforms. 	<ul style="list-style-type: none"> • New gender-related language or discussions emanating from trade policymakers as newly trained staff become engaged in trade policy discussions. • Number of ministry staff trained on gender issues within legal reform, disaggregated by sex, ministry and position of authority. • Number of reforms revised, or pro-poor, pro-women reforms developed by ministry staff following training.
What are the costs to the government to implement reforms or increase transparency? How will costs be recovered? Will the government cut other budget lines to cover these costs?	<ul style="list-style-type: none"> • Conduct a fiscal analysis of costs of implementing reforms. • Simulate multiple scenarios for recovering costs of implementation to ensure that government choices are not regressive. 	<ul style="list-style-type: none"> • Number of reforms modified to have a gender-neutral impact, including costs and budget allocations.
How are the ministries that focus on women and the poor engaged in trade policymaking?	<ul style="list-style-type: none"> • Analysis of how these ministries are engaged and consulted on trade policy. • Training for women and development agencies on gender, trade and poverty issues so they can become more engaged in trade policymaking. • Develop administrative policy to expand the group of ministries involved in developing trade policy to include women, labour, health and education ministries. 	<ul style="list-style-type: none"> • New language or discussions emanating from trade policymakers as newly trained staff become engaged in trade policy discussions.
How are civil society engaged in working with the government to craft trade policy positions? How are women’s groups engaged within this sphere?	<ul style="list-style-type: none"> • Analysis of how civil society engages with the government on trade policy formulation. • Analysis of how gender concerns are articulated within the civil society sphere. • Development of civil society–government dialogue on trade policy. 	<ul style="list-style-type: none"> • Increased involvement of gender-concerned civil society groups in trade dialogue with government. • Number of gender-related civil society concerns included in government’s trade deliberations.

Source: USAID (nd).

Box 8 summarises the methodology of and findings from a PSIA conducted on rice tariff reform in Indonesia.*

Poverty Impact Assessment (PIA) can also be used to conduct ex-ante analysis of expected poverty impacts of trade policy reforms. PIA is less resource intensive than PSIA, typically drawing on existing data. PIA is a harmonised donor approach and has been developed within the poverty network of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC). For further information, see *Promoting Pro-Poor Growth: Practical Guide to Ex-ante Poverty Impact Assessment* (OECD, 2007).



Photo credit: Yosef Hadar / World Bank

Building a railway in Madagascar.

Box 8: PSIA on rice tariff reform in Indonesia

Methodology:

Utilised a mix of qualitative and quantitative methods to examine the likely impact of increasing rice tariffs from 25% to 45%.

- Computable General Equilibrium (CGE) model conducted to analyse the first- and second-round effects of a change in tariffs, using 10 household types (7 rural and 3 urban) differentiated by socioeconomic group (agricultural employees, small farmers, medium farmers, large farmers, rural low-income, rural non-labour households, rural high-income, urban low-income, urban non-labour households and urban high-income).
- Policy Interest Matrix developed to identify policy positions of key stakeholders, why those positions were held, sets of interests that those positions represented and degree of influence over decisions. Developed through key informant interviews with government, civil society and donors.

Findings:

- The effects differ considerably among poor households.
- 'Winners' are net rice producers and those households with high share of income deriving from unskilled labour are expected to benefit from the added protection offered by a tariff increase.
- 'Losers' are net rice consumers, though second-round effects may compensate for the price impact. Rural households with low shares of income derived from unskilled labour are expected to lose from tariff increase.

Source: Leith et al (2003).

5. Trade agreements: integrating poverty and social analysis

The negotiation and implementation of trade agreements frequently presents a substantial challenge for developing countries. Many countries lack information and understanding of the potential distributional and poverty impacts of trade negotiating positions and agreements. This is because the distributional impact of trade reforms is overlooked in favour of macro-level analysis on, for instance, the impact of the trade reform on tax revenues.

Lack of ex-ante information on the impact of trade reforms can lead to negotiation positions and agreements that overlook issues that are of particular importance for poor people to benefit from trade. It can also contribute to incomplete implementation, or to premature reversals, of trade agreements.

The use of poverty and social impact assessment tools when negotiating and implementing trade agreements will depend heavily on the ability and interest of government officials to integrate these into the policymaking process. The Inter-American Development Bank (IADB), the Economic Commission for Latin America and the Caribbean (ECLAC) and the Organization of American States (OAS) have played a role in supporting countries to improve their negotiation capacities. Support has included technical assistance to negotiations, including evaluation of the potential economic and social impact of trade liberalisation, and policy advice on how to exploit opportunities, respond to adjustment costs and minimise the impact of trade reforms on the most vulnerable industries and social groups.

* For more on PSIA, see the World Bank's *User's Guide to Poverty and Social Impact Analysis* (World Bank, 2003) and *Tools for Institutional, Political and Social Analysis* (World Bank, 2007).

5.1 Support the gender analysis of trade agreements

Gender analysis can be used to assess the potential gender impact of trade agreements and to inform negotiating positions, policy formulation and programme design. Given the differentiated experiences of women and men in trade, this is an important consideration. Fontana (2009) has developed a methodology for examining the gender impacts of trade agreements, focusing on employment, consumption and losses in government revenue. Box 9 outlines this approach.

Box 9: Gender analysis of trade agreements

Step 1: Develop a detailed gendered picture of the economy

- What is the gender composition of the labour force? In which sectors do women and men work? What is the proportion of female and male workers in sectors which will be exposed to competition from the EU? What is the gender composition of sectors with potential for expansion?
- What are the working conditions, earnings and labour market segmentation? How easily could women and men who lose their job relocate to more dynamic sectors and access 'decent' forms of employment?
- What is the access to and control over resources, such as land, credit and input, disaggregated by gender?
- What are the time burdens and the gender division of household responsibilities?
- What are the consumption patterns of different households?
- What is the public provision of social services? How extensive, and who benefits?

Step 2: Review the list of goods to be liberalised and assess gender characteristics of employment/production and consumption

Employment and production effects of trade liberalisation on women will depend on the extent to which women are employed in the sectors sensitive to import competition and, most importantly, their ability to relocate to an expanding sector of production. The consumption effects will depend on the extent to which women benefit from new imports.

Step 3: Examine the revenue effect of tariff changes from a gender perspective

The loss of revenue from trade tariffs and likely consequent expenditure cuts may hinder a government's ability to pursue sound social development policies, which will affect women disproportionately. Furthermore, a government's revenue substitution plan to replace tariff losses, such as indirect taxation (e.g. VAT on food), is likely to affect women's consumption patterns, thereby threatening household's food security.

Source: Fontana (2009).

5.2 Promote disaggregated analysis of trade agreements across other social and economic dimensions

Disaggregated analysis can be conducted to estimate the potential impact of trade agreements on a range of other social and economic dimensions, including income, skills level and geographic location. A recent study of the impact of a Doha Round agreement on the Kenyan economy demonstrates how the human development impacts of trade agreements can be examined (see Zepeda et al, 2009). In this study, a CGE model was developed to simulate the impact of trade liberalisation on different sectors. To assess the human development impact, the study disaggregated impact according to skilled, semi-skilled and unskilled workers, and according to rural and urban income groups.

The findings from this study were that a Doha deal would:

- Benefit the agricultural, processed food and services sectors on aggregate.
- Hurt the manufacturing and mining sectors.
- Have a positive human development impact overall, by increasing demand for low-skilled workers in rural and urban areas, reducing the incidence of poverty and improving income distribution in rural areas.
- Worsen income distribution in urban areas and deepen the urban-rural divide.

This analysis could support policymakers and programmers to manage the negative human development impacts of the deal. It could also help policymakers carefully track the ongoing Doha negotiations to ensure that gains from the deal are preserved. This could include, for example, ensuring that a final Doha deal includes the agreed on elimination of agricultural export subsidies as well as a more ambitious reduction of domestic support to agriculture in developed countries. Negotiators may also want to press for more flexible and sequenced enforcement of liberalisation provisions in order to nurture their manufacturing capacity.

6. Support voice and participation in trade policy

Aid for Trade can take an active role in increasing the voice and participation of organisations representing the interests of a range of groups, including those typically marginalised, in trade policy decision making. Support can include training and education in poverty and social analysis, as well as advocacy, networking and policy dialogue skills, so that these groups can better identify, and represent, their rights and needs.

A number of programmes and initiatives are seeking to support voice and participation in trade policy. Box 10 outlines these.

Box 10: Voice and participation in trade policy

The **Trade and Poverty in Latin America (COPLA)** programme seeks to support the adoption of policies that promote the reduction of poverty and inequality through trade. The key objective of the COPLA programme is to empower local researchers, civil society organisations, journalists and trade unions to analyse and lobby for pro-poor change. This is achieved through a research and communications programme designed to improve understanding of how pro-poor trade considerations can inform trade and trade-related policies, and how discussions on trade, poverty and social exclusion issues can be made more evidence based, inclusive and constructive.

The **Uganda National Steering Committee** was established by the Ugandan Ministry of Tourism, Trade and Industry, with the support of the Commonwealth Secretariat. It brings together representation from itself as well as the Ministry of Gender, Labour and Social Development, the UEPB, the Management Training and Advisory Centre, the Council for Economic Empowerment of Women in Africa and Makerere University. The arrangement allows Uganda to strengthen national capacity to integrate gender analysis into trade negotiations and formulation. For example, the steering committee took part in the development of a gender sensitive National Export Strategy.

One World Action, in conjunction with the Commonwealth Secretariat, has been working to build capacity around gender and trade. It has developed an advocacy tool, with a checklist for action, to support organisations with advocacy around the gendered impacts of trade agreements.



Photo credit: Franz Dejon / flickr.com

Tea harvest, Kenya.

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Project outputs

'Trade, Growth and Poverty: Making Aid for Trade Work for Inclusive Growth and Poverty Reduction,' ODI Working Paper

Higgins, K. and S. Prowse (2010) 'Trade, Growth and Poverty: Making Aid for Trade Work for Inclusive Growth and Poverty Reduction,' Working Paper 313, ODI, London.

Case Studies on Aid for Trade, Inclusive Growth and Poverty Reduction

- Removing Constraints to Trade, Enabling Inclusive Growth and Supporting Poverty Reduction: Lessons for Policy and Programming from Five Case Studies
- Cambodia's Trade Sector Wide Approach
- The Regional Trade Facilitation Programme
- ComMark's Textile and Apparel Sector Programme in Lesotho
- The Ethiopia Trademarking and Licensing Initiative
- A Comparative Review of Three Cotton Sector Projects

Tips and Tools for Aid for Trade, Inclusive Growth and Poverty Reduction

- Brief 1. Integrating poverty and social analysis into Aid for Trade programmes: an overview
- Brief 2. Integrating poverty and social analysis into Aid for Trade programmes: trade policy and regulation
- Brief 3. Integrating poverty and social analysis into Aid for Trade programmes: trade facilitation and trade-related infrastructure

All project outputs are available on the project webpage at: www.odi.org.uk/work/projects/details.asp?id=1055&title=aid-trade-promoting-inclusive-growthpoverty-reduction-phase-2.

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