Integrating poverty and social analysis into Aid for Trade programmes: an overview

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 an overview on how to integrate poverty and social analysis into Aid for Trade programmes. It is accompanied by two other briefs in the 'Tips and Tools for Aid for Trade, Inclusive Growth and Poverty Reduction' series. Brief 2 looks at trade policy and regulation and Brief 3 addresses trade facilitation and trade-related infrastructure.

Workers in silk factory in Viet Nam.

Photo credit: Peregrinari / flickr.com

2. What is poverty and social analysis?

Poverty and social analysis is the analysis of how the role, position and capabilities of different social and economic groups shape the opportunities, constraints and risks that they face. It is typically adopted to inform policy and programming decisions in order to maximise poverty reduction impact.

UKaid
from the Department for
International Development

gtz

On behalf of
Federal Ministry
for Economic Cooperation
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It can be used to:

- Generate disaggregated **understanding** of how social and economic characteristics influence people's social, political and economic inclusion.
- Inform the **design and implementation** of policies and programmes that support a range of social and economic groups to access the opportunities that will help them benefit from and contribute to development.
- Identify **specific mechanisms** that will help poor or excluded groups access the opportunities that will assist them in moving out of poverty.
- Suggest how policies and programmes can be **monitored** to ensure that they contribute to inclusive growth and poverty reduction and, in turn, more equitable and sustainable processes of development.

3. Why is poverty and social analysis important for Aid for Trade?

The Aid for Trade agenda originated in World Trade Organization (WTO) negotiations. It can be traced back to developing country concerns about the limited benefits they stood to gain from improved market access without supply-side support, and also the potential adjustment costs associated with trade liberalisation. In response to this, the WTO Ministerial Meeting in Hong Kong in 2005 called on donors to increase Aid for Trade and established a Task Force on Aid for Trade. This Task Force identified objectives and categories (see Box 1) for Aid for Trade and developed recommendations on how it should be operationalised (WTO, 2006).

The first objective for Aid for Trade that the Task Force identified was to 'enable developing countries, particularly least-developed countries (LDCs), to use trade more effectively to promote growth, development and

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Box 1: Aid for Trade categories

- **Trade policy and regulation**, to support countries to develop trade strategies, to negotiate regional and international trade agreements and to implement the outcomes of trade agreements.
- **Trade-related infrastructure**, to support countries to develop the infrastructure hardware and software necessary to connect the domestic market to the global economy.
- **Productive capacity building (including trade development)**, to support countries to develop an enabling business environment and to promote the private sector to exploit comparative advantage and diversify exports.
- **Trade-related adjustment**, to support countries to adjust to the costs associated with trade liberalisation.

Source: Higgins and Prowse (2010).

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poverty reduction and to achieve their development objectives, including the Millennium Development Goals.' Subsequent Aid for Trade strategies have emphasised that Aid for Trade should support poverty reduction. For example, the European Union Aid for Trade strategy calls for the EU and its Member States to intensify efforts to enhance the 'pro-poor focus and quality of EU Aid for Trade,' including enhancing 'the impact of Aid for Trade on sustainable poverty reduction and the further economic empowerment of women' (EU, 2007).

By unpacking the different opportunities, barriers and risks that people face when it comes to trade, poverty and social analysis can support policymakers and programmers to design and implement trade policies and Aid for Trade programmes that support trade expansion, inclusive growth and poverty reduction.

There are strong economic arguments for doing so. Evidence suggests that women face more barriers than men in participating in and benefiting from trade. Women are more likely to have poor access to information on regulations and customs requirements; experience harassment at border posts; be forced to pay bribes or non-existent taxes to border officials; have limited access to credit; and spend more of their income and time transporting goods to market. By understanding the opportunities, barriers and risks facing women, and designing and implementing policies and programmes to address these, women will be better placed to increase their productivity and contribution to economic growth. Similarly, migrants, ethnic minorities, informal traders, smallholder farmers and people in remote rural areas face a range of constraints to participating in and benefiting from trade. By taking action to address these, their participation in trade and the economy can increase, fuelling growth.

There are also compelling equity reasons for integrating poverty and social analysis into trade policies and programmes. Increasing the level and quality of participation in trade of typically marginalised groups can support the reduction of poverty and inequality. It can also increase government revenue available to support a country's development priorities. We know that changes in trade can result in short-term adverse impacts: poverty and social analysis can help identify these and suggest ways to mitigate or compensate for them.

4. How can we integrate poverty and social analysis into trade-related policies and programmes?

Poverty and social analysis can inform the diagnostics (pre-design), identification, design, implementation and monitoring and evaluation of trade-related policies and

programmes. Box 2 highlights a range of considerations within this, each of which is discussed in more detail below.

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Box 2: Considerations in integrating poverty and social analysis into policies and programmes

- Conduct disaggregated analysis of opportunities, constraints and risks.
- Take an inclusive approach to stakeholder analysis and participation.
- Foster institutional buy-in and expertise.
- Use poverty and social analysis to inform policy and programmatic objectives, instruments and components.
- Integrate disaggregated indicators and targets into monitoring and evaluation.

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4.1 Conduct disaggregated analysis of opportunities, constraints and risks

4.1.1 Collect disaggregated data

A key step in poverty and social analysis lies in identifying the range of social and economic characteristics that influence different groups' engagement in trade (Table 1). We must understand how characteristics such as sex, ethnicity, type of livelihood and type of business, for example, influence the constraints and opportunities

Table 1: Social and economic characteristics

Social characteristics	Economic characteristics
• Sex • Age • Location • Ethnicity and/ or nationality • Level of education • Social network	• Type of livelihood (e.g. farmer, labourer, factory worker, trader) • Type of business (e.g. micro-entrepreneur, small and medium enterprise, large business) • Level of income • Assets (e.g. land, savings, agricultural inputs, credit, physical assets)

that people face as service users, producers and consumers. This is critical to designing policies and programmes that will best support trade expansion, inclusive growth and poverty reduction.

Such data may be found through existing secondary sources, such as government and donor reports, programme or project documentation, academic publications and policy analyses. Existing quantitative surveys – such as population censuses and Living Standard Measurement Surveys – can also be used.

However, disaggregated data are often lacking in developing countries, which means that it may be necessary to collect primary data. Survey instruments,

Table 2: Data collection methods

Tool/instrument	Description and key features	Example
Sample surveys	Collect a range of data through questionnaires with a fixed format (e.g. at household, sector and/or activity level).	Surveying male and female entrepreneurs on the obstacles they face when exporting and importing goods and services.
Group interviews/ focus groups	Collect largely qualitative data through structured discussions (managed by an appointed facilitator) among small groups of preselected participants (usually 12 or fewer).	Interviewing a group of farmers at different socioeconomic levels about the most significant infrastructure and compliance constraints restricting their ability to compete in international markets.
Individual interviews	Collect a range of data through face-to-face discussions with relevant individual stakeholders. These can be 'open' or 'structured' and can be conducted over several sessions.	Interviewing a cross-section of officials working for the customs authority about existing perceptions on gender sensitivity and the need for action.
Participatory approaches	Using the Participatory Learning and Action (PLA) approach to work with a community and different groups within it. This generates data based on knowledge, experience and perceptions. Visual aids are often used to document data collection. The emphasis is on shared learning and involving the community in decisions and planning.	Taking a participatory approach to identify the obstacles to transporting goods to domestic markets and to decide priorities for tackling these obstacles.
Participant observation	Collect data through observation, whereby the researcher takes part in the event or visits a place over a period of time.	Observing the experiences of different formal and informal cross-border traders at border crossings to determine the obstacles they face.

if designed with this in mind, can generate descriptive quantitative information in a disaggregated way. Qualitative approaches, including interviews, focus group discussions and participatory techniques, for example, can identify the structures and processes that generate social and economic opportunities and exclusion. Table 2 (page 3) outlines some methods for data collection.

4.1.2 Use existing poverty and social analysis tools and frameworks

A number of tools and frameworks can support policy-makers and programmers in poverty and social analysis. These range from relatively 'light touch' to more comprehensive tools, and provide guidance on questions to ask, data collection methods to adopt and analysis to

Table 3: Poverty and social analysis frameworks and tools

Tool/ framework	Purpose	Resources, expertise and time required	More information (See end of brief for full references)
Poverty Impact Assessment (PIA)	Ex-ante analysis of the expected poverty impacts of policies and interventions linking them to changes induced via the following transmission channels: prices, employment, transfers, access, authority and assets. Can be considered a 'light touch' PSIA.	Mainly uses existing data (qualitative and quantitative) and/or stakeholder consultations. Fewer financial resources than a PSIA.	Promoting Pro-Poor Growth: Practical Guide to Ex-ante Poverty Impact Assessment
Poverty and Social Impact Analysis (PSIA)	Analysis of the distributional impact of policy reforms, with a particular focus on poor and excluded groups. Aims to identify 'winners' and 'losers' from a particular policy change and proposes amended/alternative policy design and/or complementary/ mitigating measures.	Can be 'light touch' or more extensive and in depth. Often requires multidisciplinary teams that combine economic and social development expertise.	User's Guide to Poverty and Social Impact Analysis Tips and Tools for Institutional, Political and Social Analysis
Human Development Impact Analysis (HDIA)	A framework for understanding and addressing the linkages between trade and human development by assessing the human development impact of trade policies and identifying measures that can ensure that trade policies contribute positively to human development and can potentially mitigate or manage adverse impacts.	Can be methodologically complex. Often requires multidisciplinary teams that combine economic and social development expertise.	Resource Book for Human Development Impact Assessment
Gender Analysis	Analysis of how gender affects development outcomes, and what policies and programmes can support improved gender equality.	Typically takes a qualitative approach to examining how gender affects development outcomes.	Gender Justice in Trade Policy: The Gender Effects of Economic Partnership Agreements IFC Gender Dimensions of Investment Climate Reform
Pro-Poor Value Chain Analysis	Analysis of the 'value chain' of activities required to bring a product or service from conception, through different phases of production, to a final product for consumers.	Often requires primary data collection on the specific value chain. Can be 'light touch' or more comprehensive.	Trading Up: How a Value Chain Approach Can Benefit the Rural Poor
Governance Analysis	Analysis of governance – the rules, processes and behaviour by which interests are articulated, resources are managed and power is exercised – and how it affects development outcomes.	Typically qualitative analysis which focuses on power and institutions. Often requires expertise from political economists or political scientists.	Analysing and Addressing Governance in Sector Operations

conduct. Decisions on which tool is most appropriate will depend on the issue to be explored, as well as the resources, expertise and time available. Table 3 outlines a selection of tools and frameworks.

4.1.3 Identify social risks and take action to address them

While trade-related policies and programmes can result in substantial opportunities, they may also entail social risks. Poverty and social analysis can help identify these. Risks may include:

- **Employment risks:** e.g. downsizing, labour exploitation
- **Food security risks:** e.g. rising prices of goods for consumers, poor market access for producers
- **Health risks:** e.g. HIV/AIDs along busy trade routes, overwork and exhaustion, work-related injuries

Box 3 outlines some trade-related risks, and how a policy or programme could respond.

4.2 Take an inclusive approach to stakeholder analysis and participation

4.2.1 Undertake stakeholder analysis

It will be necessary to consult and engage a range of stakeholders during the design and implementation

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of a trade policy or programme. Table 4 lists these stakeholders. Stakeholder analysis can be used to map out the interests and influence of key stakeholders and to help identify those who should participate in design and implementation processes. Table 5 (overleaf) provides an example of a stakeholder analysis matrix, drawing on analysis conducted in relation to a proposed increase in rice tariffs in Indonesia.

4.2.2 Support participation

Participation needs to be inclusive, involving key stakeholders – including beneficiaries – in the design and implementation of policies or programmes.

Tips for supporting inclusive participation include the following:

- Include groups that **normally do not have a strong voice** in policy and planning processes (for example

Table 4: Stakeholders in trade-related policy and programming

Government	- Ministries (e.g. trade, industry, finance, foreign affairs, gender, social development) - Regional/sub-national government - Authorities and agencies (e.g. customs, ports, export credit, export promotion, investment) - Parliaments
Private sector	- National/sectoral and regional business associations - Associations of artisan traders - Chambers of commerce - Export associations - Women's business associations - Individual businesses (large, small and medium enterprises) - Informal traders and micro-entrepreneurs
Workers	- Confederations of trade unions - Individual trade unions - Women's workers' associations - Cooperatives - Individual workers (e.g. labourers)
Civil society	- Civil society organisations - Women's associations - Independent think-tanks and research institutes - Universities - National and local media
Donors	Bilateral donors and multilateral donors

Box 3: Trade and social risks

Employment risks: Trade policy decisions may result in the phasing-out of uncompetitive or unproductive sectors, resulting in downsizing and unemployment. Programmes to support the provision of basic education and vocational training for laid-off workers, as well as for affected entrepreneurs, can enable people to diversify their income streams and shift to sectors with export potential.

Food security risks: Trade liberalisation can make producers and consumers vulnerable to price fluctuations in international markets. A range of initiatives can help people better cope with such fluctuations. Storage for agricultural producers is one example: this can enable producers to respond more effectively to market signals and cope with the price fluctuations associated with international markets.

Health risks: Trade-related policies and programmes need to consider health-related risks. For example, the spread of sexually transmitted diseases (STDS) has been found to take place along transport corridors. The Regional Trade Facilitation Programme (RTFP) in Southern Africa has responded to this by supporting 'wellness centres' along transport routes, which provide low-cost primary health care along with HIV/AIDS prevention activities.

Table 5: Stakeholder analysis matrix on proposed rice tariff increase in Indonesia

Stakeholder	Interests	Constraints	Degree of influence
Producers and non-governmental organisations	In favour of a high tariff. Argue that tariffs raise prices and higher prices help farmers.	Not part of government so cannot directly influence policy.	Low but vocal.
Bulog (the state commodities logistical agency)	In favour of a high tariff as a source of finance. Argue that tariffs protect local farmers from import dumping.	Key players but do not have direct control over policy decisions.	High, linked to ruling party fundraising.
USAID, World Bank, IMF, ADB	In favour of no tariff because in favour of trade liberalisation. Argue that no tariff is better for global welfare and that the high tariff and resulting high price lead to black markets.	Not part of government. Not elected.	High, can (informally) influence decisions.

Source: World Bank (2007).

informal traders, women's trade associations, small-scale producers and micro-entrepreneurs).

- **Make information** on the policy or programme widely available.
- Facilitate participation with **social difference** in mind. For example, where language is a discriminating factor, integrate translation into documentation and consultation activities.
- Facilitate participation with **poverty constraints** in mind. For example, where remoteness – and high costs of travel between remote areas and town centres – is a constraint, take steps to ensure that remote communities with interests in the policy or programme are given opportunities to contribute.
- Use **existing structures and organisations** in the participation processes (for example informal trader associations and women's associations).

It may be necessary to build the capacity of key stakeholder groups and the institutions representing them, in order to strengthen their advocacy and networking abilities to better promote their rights and needs. Training on poverty and social analysis tools, including data collection (e.g. survey methodologies and participatory techniques), will help improve engagement of and feedback from key stakeholders.

4.3 Foster institutional buy-in and expertise

4.3.1 Support institutional buy-in and sustainability

Institutional buy-in, by both donors and developing country governments, is required if poverty and social analysis is to be used regularly in trade-related policy and programming, and if the evidence generated by the analysis is to have traction and influence on policy and programmatic decision-making processes.

To support this:

- Engage in **guidance and capacity building** for policy-makers and programmers on trade–poverty linkages and poverty and social analysis tools and approaches. Training in this area should target responsible staff from donor agencies and government ministries (for example ministries of trade, economic development, social development, gender).
- Establish **institutional mechanisms** that encourage broad-based participation in decision making.
- Identify and support **'champions'** for equity-focused trade objectives. For example, the Common Market for Eastern and Southern Africa (COMESA) Secretariat has a gender mainstreaming officer responsible for formulating the COMESA gender policy and gender mainstreaming guidelines.

4.3.2 Include social and gender analytical skills in the team

Government and donor teams responsible for formulating and implementing trade-related policies and programming are typically dominated by trade economists. Integrating poverty and social analysis into trade policy and programming requires people with poverty and social analysis expertise. Ideally, teams should be multidisciplinary, with all specialists working together towards joint objectives and goals.

4.4 Use poverty and social analysis to inform objectives, instruments and components

Poverty and social analysis conducted to identify trade-related opportunities, constraints and social risks can inform the objectives, instruments and components of policies or programmes. For example, poverty and social analysis can inform Aid for Trade programmatic objectives

to ensure that they reflect Aid for Trade's mandate to support trade, growth and poverty reduction. It can also be employed to inform the choice and design of policy instruments (e.g. tariffs), including the sequencing of reforms or the specific components of a programme.

Based on disaggregated analysis, and inclusive processes of stakeholder analysis and participation, the following summarises possible (not mutually exclusive) design scenarios:

- Design the policy or programme in a way that caters to **differentiated needs**. For example, ensure that trade-related infrastructure (e.g. roads, telecommunications, electrification) reaches and benefits typically poorer trading groups, such as female traders, informal traders and those in remote rural areas.
- Support **complementary policies** which help tackle identified binding constraints to trade and which enhance people's abilities to engage with and benefit from trade (e.g. access to land, access to credit and financial services, access to business education and marketing support).
- Support **mitigating measures** which manage the adverse impacts that may stem from trade policy changes. For example, trade liberalisation policies that seek to improve competitiveness may result

in short-term adjustment costs, such as job losses. Consider activities that cushion or manage these impacts, such as vocational training to enable laid-off workers to diversify their income streams and shift into sectors with export potential.

4.5 Integrate disaggregated indicators and targets into monitoring and evaluation

Poverty and social analysis should inform the monitoring and evaluation frameworks of policies and programmes in order to demonstrate the distributional impact of initiatives. This means identifying indicators and monitoring progress in a disaggregated way – that is, not just *how much* more trade, income or employment was generated as a result of an initiative, but also *for whom* the initiative generated trade, income or employment. Which traders, businesses, workers or farmers benefited, and how did those who are often excluded, such as women, migrants, ethnic minorities, informal traders, landless labourers and smallholder farmers, fare? Box 4 suggests indicators that can be incorporated into monitoring and evaluation frameworks to ensure the capture of inclusive growth and poverty reduction dimensions.

Quantitative and qualitative approaches should be part of the monitoring and evaluation framework. Quantitative approaches will give numerical insights into outcomes and impacts. Qualitative approaches enable evaluation of the *quality* of outcomes and impacts. Data collection (including baseline information) should involve, where possible and appropriate, organisations representing the interests of typically poor and excluded women and men.

Taking a disaggregated approach to monitoring and evaluation should help answer the following questions, among others:

- What was the disaggregated impact of the initiative on **access to trading opportunities**? How did typically poor women and men benefit?
- What was the disaggregated impact of the initiative on **income and employment**? How did typically poor women and men benefit?
- Who had a voice and influence in **decision-making processes**? Were typically poor and excluded groups represented?
- How did the initiative manage **social risks**?

This information should inform the implementation of trade policies and programmes, to ensure that Aid for Trade supports inclusive growth and poverty reduction alongside trade expansion.

Box 4: Indicators to support monitoring and evaluation

Access to trade
- No. of registered businesses, disaggregated by type and size of business.
- No. of traders registered in markets, disaggregated by sex, location, type of livelihood, type and size of business, level of education, ethnicity and/or nationality.
- No. of people engaging in cross-border trade, disaggregated by sex, location, type of livelihood, type and size of business, level of education, ethnicity and/or nationality.
- Size and diversity of trading associations and cooperatives, disaggregated by interests supported.

Income generated by trade
- Incomes of male and female traders.
- Incomes of male and female producers.

Employment generated by trade
- No. of jobs generated by trade, disaggregated by sex, type of job and nature of employment (i.e. permanent, contract, temporary, day-wage).

Participation in trade-related processes
- Level and quality of participation of groups in policy and planning processes, disaggregated by sex, location, type of livelihood, type and size of business, other interests represented.

Photo credit: Curt Carnemark / World Bank

Selling produce in Nigeria.

Key sources

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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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