Operational Plan 2011-2015

Trade Policy Unit (DFID resources)

April 2011

Contents:

1) Context

Free trade is a powerful engine of economic growth and poverty reduction. It is the catalyst for growth. It creates wealth, which, ultimately, is the most effective way to pull people out of poverty.

Yet the insecurity that is the legacy of the economic crisis has fostered a mood of protectionism. The case for open markets must be restated: an ambitious conclusion to the Doha Development Agenda (DDA), together with a strong, rules-based multilateral system, remain essential to enabling developing countries to benefit from global trade.

Furthermore, despite benefitting from preferential access to major markets of the US and EU, the poorest nations still account for less than 1% of world trade.

And with South-South trade growing faster than world trade, enhanced market access for the poorest nations to emerging markets is becoming increasingly more important.

Trade Policy Unit's work to enhance and sustain **the ability of** developing countr**ies to** access global markets will be complemented by specific support to developing countries to increase their capacity to trade

2) Vision

Overview

To increase the growth of trade in low income countries, by sustaining and enhancing developing countries' level of access to markets and increasing their trade competitiveness by lowering the costs of trading and addressing supply-side barriers.

Alignment to DFID and wider UK Government priorities

Ensuring **that** lower income countries are fully integrated into the global economy is central to the Government's policy of driving growth and poverty reduction.

Trade Policy Unit's DFID resource will be used to address DFID's Business Plan commitment to making development policy more focused on boosting economic growth and **wealth creation**.

The new Trade and Investment White Paper reflects the Government's commitment to ensuring a **step change** in support to developing countries**, enabling them** to follow their own paths to growth through trade and investment.

What we will stop doing

•Funding low-value, admin resource intensive programmes and continue working towards our target of having a portfolio with a smaller number of higher value, more strategic programmes.
•Funding programmes that cannot provide strong evidence of achieving results and Value for Money (VfM).
•Funding programmes that have communications as a primary objective.

3) Results

Headline results

Pillar/ Strategic Priority	Indicator	Baseline (including year)	Expected Results (including year)
Press for G20 consensus on Duty-free, quota-free access for Least Developed Countries (LDCs)	Consensus at Cannes Summit in November 2011	Approximately half of G20 countries offer 85% to the majority of LDCs	3 million people lifted out of poverty once implementation complete
EU Generalised System of Preferences (GSP) review satisfactorily concluded by end 2013	Share of total utilisation of EU GSP scheme by LDCs, Low Income Countries (LICs) and GSP+ beneficiaries increases from 18% to 25% by 2014	18% (2010)	25% by 2014
Press for a conclusion of the DDA by end 2011	Progress on the DDA with a credible schedule for conclusion at the World Trade Organisation (WTO) Ministerial in December 2011	DDA in progress	Credible schedule for conclusion at the WTO Ministerial in December 2011
Press countries to resist protectionism and protect developing country access to markets and products	Net increase in number of protectionist measures imposed since the financial crisis from baseline to be established in June 2011.	Global Trade Alert currently establishing baseline for June 2011	No net increase
Developing countries and regional trade delegations have increased ability to engage in international trade negotiations through launch of Advocacy Fund	Increased participation of LDCs in technical committees measured by the percentage of LDCs submitting papers in World Trade Organization (WTO) technical committees	57% LDCs submit papers	75% LDCs submit papers by 2014
Increased trade competitiveness of developing countries by lowering the costs of trading	At least 50 trade facilitation projects (minimum 25 in Africa) benefiting 55 countries	September 2010 28 projects (20 in Africa) benefiting 32 countries	80% of projects are ranked at satisfactory level or higher (using World Bank scoring) by 2014
Targeted support to LDCs to assess trade needs and prepare and implement forward strategies	Sufficient institutional and management capacity built in Enhanced Integrated Framework (EIF) countries to formulate and implement trade related strategies and implementation plans	TBC	That more than 80% of the EIF countries have at least somewhat satisfactory (level 3) level of capacity (5 point scale) by May 2014
Minimise actions taken by developed and emerging economies that impact negatively on developing economies, including subsidies, export bans and IP agreements	Full assessments made of impact of Free Trade Agreements (FTAs) with developing countries and no modalities agreed that will have poverty impact, in particular with regard to access to medicines	N/A	EU India FTA does not impair access to medicines, and Sustainability Impact Assessments (SIAs) for all new EU FTAs produced prior to modalities texts being agreed

3) Results (continued)

Evidence supporting results

Trade is a key contributor to growth with, on average, a 10% increase in the volume of trade leading to a 5% increase in income (Freyer, 2009). Our work is directed towards achieving high value trade outcomes in multilateral negotiating forums, including the Doha Round (£110 billion global benefits) (CEPII, 2009), and Duty Free Quota Free (DFQF) access to G20 markets for LDCs (£4.4 bn) (Centre for Global Development - 'Open Markets for the Poorest Countries: Trade Preferences That Work' (2010)).

Recent analysis indicates that G20 DFQF market access can have significant increase in LDC exports, with negligible impact on G20 economies – for example Malawi's national income could increase by 11% and Cambodia's by 3.3% (World Bank, 2011 forthcoming).

Value for Money (VfM) rationale

External research has found the returns to Aid for Trade to be high (Brenton & von Uexkull, 2009; Helble, Mann & Wilson, 2010; Cali & Te Velde, 2009). Typically:

•For every extra £1 of Aid for Trade spent, developing country trade increases by £3 a year.

•For every £1 spent on aid focused on trade policy-making, the return could be as high as £28.

Even taking into account the probability of delivering on challenging negotiating processes, the estimated additional trade for our market access work remains high:

•For every £1 spent on achieving DFQF we estimate a return of £1,978 a year in additional LDC trade.

•For every £1 spent on our contribution to the Doha round there is a return of £600 in additional developing country trade (£833 for trade facilitation specifically).

Projections for increased trade due to the proposed improvements in trade facilitation under DDA are substantial – perhaps £80-£280 billion annually. These gains accrue disproportionately to developing countries. For Sub-Saharan Africa it could be worth £6bn in additional economic activity each year (+2%), half annual inflows of Official Development Assistance (ODA).

There is a strong rationale for DFID to pool resources with other bilateral donors and to use the World Bank to carry out trade facilitation improvements given its global outreach and its range of specialist transport and private sector development staff.

4) Delivery and Resources

Main delivery routes:

G20

As a G20 member, use targeted analysis to influence the delivery of leaders' commitments at previous summits aiming to:

- secure agreement to 100% DFQF for LDCs,
- agree more support for trade facilitation, and
- increase the availability of trade finance for LDCs and translate this into practical policy initiatives.

EU

Influence the outcome of the review of the EU's General System of Preferences through informal and technical level discussions with Commission staff and building the evidence base on the potential benefits of the pro-poor tariff threshold through commissioned work.

Multilateral

Working to achieve a successful conclusion to the Doha Development Round in 2011 and reform of the WTO. Provide targeted support to the World Bank, the International Trade Centre and Enhanced Integrated Framework to enhance delivery of support initiatives (covering trade and development, trade facilitation and building export competitiveness).

Bilateral

Work closely with DFID's Africa Division to launch the Africa Free Trade initiative, a programme of investment, technical assistance and political support to overcome export barriers and invest in infrastructure.

Launch the Trade Window of the Advocacy Fund to enable developing countries and Regional Economic Communities (RECs) to access high quality support to enhance their negotiating capacity.

4) Delivery and Resources (continued)

Resources

Programme Spend

Pillar/Strategic priority	2011/12		2012/13		2013/14		2014/15		TOTAL		
	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital	Total
Wealth Creation	11,000,000	0	13,500,000	0	15,000,000	0	15,000,000	0	54,500,000	0	54,500,000
TOTAL	11,000,000	0	13,500,000	0	15,000,000	0	15,000,000	0	54,500,000	0	54,500,000

DFID Department for International Development

4) Delivery and Resources (continued)

Resources (continued)

	2011/12	2012/13	2013/14	2014/15	TOTAL
	£	£	£	£	£
Frontline staff costs - Pay	0.00	0.00	0.00	0.00	0.00
Frontline staff costs - Non Pay	32,000.00	32,000.00	32,000.00	32,000.00	128,000.00
Administrative Costs - Pay	992,000.00	992,000.00	992,000.00	992,000.00	3,968,000.00
Administrative Costs - Non Pay	98,000.00	88,000.00	88,000.00	88,000.00	362,000.00
Total	1,122,000.00	1,112,000.00	1,112,000.00	1,112,000.00	4,458,000.00

4) Delivery and Resources (continued)

DFID Department for International Development

Resources (continued)

Efficiency savings

	2011/12		2012/13		2013/14		2014/15	
Savings Initiative	PAY	Non Pay	PAY	Non Pay	PAY	Non Pay	PAY	Non Pay
Reduction in Consultancy		50,000.00		0.00		0.00		0.0
Office Restructure	75,095.00		0.00		0.00		0.00	
Reduction in Travel		36,500.00		4,650.00				
Reduction in Training		3,900.00		4,350.00				
Other		-1,495.00		1,000.00				
Total	75,095.00	88,905.00	0.00	10,000.00	0.00	0.00	0.00	0.0

5) Transparency

Transparency is one of the top priorities for the UK Government. We will meet our commitments under the UK Aid Transparency Guarantee: we will publish detailed information about DFID projects, including programme documents and all spend above £500. Information will be accessible, comparable, accurate, timely and in a common standard with other donors. We will also provide opportunities for those directly affected by our projects to provide feedback.