Department
for International
Development

Operational Plan 2011-2015

Trade Policy Unit (DFID resources)

Updated June 2013

Contents:

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Introduction

The UK Government is determined to help end extreme poverty around the world. We believe that international development is not just the right thing to do, but the smart thing to do. Britain has never stood on the sidelines, and it is in all our interests for countries around the world to be stable and secure, to have educated and healthy populations and to have growing economies. DFID aims to end aid dependency through jobs – building the economies of developing countries so that they can stand on their own feet.

No country can develop with only half of the population involved, that is why DFID is scaling up its support for women and girls across all of our country programmes, including an increased emphasis on girls education and preventing violence against women and girls.

We are also focussing on what works, investing in research and taking advantage of new technology to ensure that UK development support has the greatest impact.

DFID is committed to being a global leader on transparency, and in 2012 was ranked the top aid organisation in the world for transparency. Transparency is fundamental to improving accountability both to UK citizens and to citizens in the countries where we work. Transparency also helps us achieve greater value for money and improves the effectiveness of aid. As part of our commitment to transparency we publish Operational Plans for each area of our work setting out what we will achieve and how we will achieve it. In June 2013 DFID launched a new online tool, Development Tracker, to provide an easy way to access information and data about DFID programmes.

With less than 1000 days to go, we will continue to focus our efforts on delivering the Millennium Development Goals, creating wealth in poor countries, strengthening their governance and security and tackling climate change. The prize, in doing so, is huge: a better life for millions of people, and a safer, more prosperous world.

1) Context

Free trade is a powerful engine of economic growth and poverty reduction. It is a 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: progress on multilateral trade liberalisation negotiations that promote global growth and advance the interests of poor people, 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 the 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.

The Trade Policy Unit’s work to enhance and sustain the ability of developing countries to access global markets will be complemented by specific support to developing countries to increase their capacity to trade.

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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.

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

The Government's 2011 Trade and Investment White Paper reflects the Government's commitment to ensure support to developing countries and enable 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).

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3) Results

Pillar/ Strategic Priority	Indicator	Baseline (including year)	Expected Results (including year)
Press for G20 consensus on duty-free, quota-free (DFQF) access for Least Developed Countries (LDCs)	The World Trade Organization (WTO) report an increase to the extent of DFQF offers and percentage of LDC exports entering G20 markets free of duty (2012 – 2015). G20 countries remain committed to making progress on implementing their DFQF obligations consistent with the WTO Hong Kong Declaration 2012 (97%) at Los Cabos Summit June 2012.	2012 – almost half of G20 countries offer at least 97% to LDCs, with six offering 100% (EU Member States and Australia)	Commitment by all G20 countries to progress towards 100% by 2015. 100% DFQF by G20 has the potential to lift 3 million people lifted out of poverty once implementation complete.
EU Generalised System of Preferences (GSP) regulation is in line with UK position and implementation and management of the regulation is influenced in line with UK interests	Revised GSP regulation enters into force on 1 January 2014 and detailed rules to be agreed for its operation do not further limit access to the EU market for developing countries or place further barriers to Pakistan receiving GSP+ benefits.	All Upper Middle Income Countries (UMIC) and Higher Income Countries excluded; Pakistan meets economic criteria for GSP+ (2012)	Flexibility from the Commission in interpreting when a UMIC has initialled an alternative arrangement (and thus eligible for a transitional period); Pakistan meets all criteria for GSP+ eligibility (2014)
Press for progress on early implementation of elements of Doha Development Round, particularly on issues important to poor countries	Concrete progress towards concluding elements of Doha by March 2013	Doha Round negotiations ongoing	Trade facilitation agreement adds $6 billion to GDP of sub-Saharan Africa in the long-term
Resist protectionism in all its forms and work to secure a declining number of new protectionist measures in particular those affecting Least Developed Countries (LDCs)	G20 Los Cabos (Mexico) Summit re-affirms commitment to resist protectionism and roll back measures implemented in response to the economic crisis (June 2012) WTO and Global Trade Alert (GTA) reporting on protectionist actions.	Measures that affect LDCs - Global Trade Alert baseline April 2012: Global measures: 154 G20 measures: 97	Net reduction in protectionist measures affecting LDCs by 2015
Consumers in developed and developing countries educated and informed about the impact that barriers have on the price of consumer goods	Launch of web-based tool by September 2013. Tool ready to be launched in pilot by autumn 2012.	0 users (2012)	60,000 users reached and better informed on free trade by September 2013

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3) Results

Pillar/ Strategic Priority	Indicator	Baseline (including year)	Expected Results (including year)
Increased and more effective participation of LDCs, LICs, in trade negotiations and dispute settlement	Number of low income countries assisted by Trade Advocacy Fund (TAF) on trade negotiations capacity by March 2015	0 (2011)	TAF engages effectively on trade policy and negotiations with at least 20 Low Income Countries (LICs) or Regional Economic Organisations
Targeted support to LDCs to assess trade needs and prepare and implement forward strategies	% of the Enhanced Integrated Framework (EIF) countries with increased capacity to assess trade needs and implement strategies	n/a	That more than 80% of the EIF countries have at least somewhat satisfactory (level 3) level of capacity (five point scale) by May 2014
Implement programmes to enhance trade finance for poor countries to improve global growth and poverty reduction.	No of low income countries reached by multilateral development bank trade finance programmes; volume of trade finance provided to LICs	n/a	Multilateral development bank programmes have effectively targeted poor countries and responded to the lack of access to trade finance as a result of the economic crisis

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3) Results (continued)

Evidence supporting results

Trade is a key contributor to growth. It has been estimated that, on average, a 10% increase in the volume of trade can lead to a 5% increase in income (Freyer, 2009). Our work is directed towards achieving high value trade outcomes in multilateral negotiating forums. This work includes:

- Helping to conclude the trade facilitation agreement in the Doha Round. It has been estimated that this could add $6 billion to the long-run GDP of sub-Saharan Africa (CEPII, 2011)

- Negotiating 100% Duty Free Quota Free Access to G20 markets for LDCs. Export gains for World Trade Organisation-member LDCs could be of the order of $2 billion if G20 Organisation for Economic Co-operation and Development (OECD)countries extended to 100% product coverage. This amount would be even larger if the BRICS also offered full market access. (Global Monitoring Report 2011, World Bank, p. 136).

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:

- 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.

Projections for economic benefits as a result of the proposed improvements in trade facilitation under the Doha Development Agenda are substantial. For example, one estimate for potential gains from trade facilitation is $US67 billion each year to world GDP by 2025, with improved port efficiency adding a further $US35 billion (CEPII 2011). These are substantial gains, even taking into account the time and resources needed to reach an agreement.

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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:

- press for agreement to 100% duty-free quota free access for Least Developed Countries (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 European Unions' (EU) 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 early implementation of elements of the Doha Development Round and reform of the World Trade Organisation. 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 on regional integration and trade facilitation.

Ensure success of the Trade Advocacy Fund to enable developing countries and Regional Economic Communities to access high quality support to enhance their capacity in international trade negotiations.

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4) Delivery and Resources (continued)

Planned Programme Spend

Pillar/Strategic priority	2011/12 outturn		2012/13 outturn		2013/14		2014/15		TOTAL		
	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital	Total
Wealth Creation	6,539,392	0	9,123,574	0	12,698,000	0	11,035,000	0	39,395,966	0	39,395,966
TOTAL	6,539,392	0	9,123,574	0	12,698,000	0	11,035,000	0	39,395,966	0	39,395,966

Note: Figures for 2011-12 are actual outturn; 2012-13 are provisional outturn; 2013-14 and 2014-15 are planned budgets

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4) Delivery and Resources (continued)

Planned Operating Costs

	2011/12 outturn	2012/13 outturn	2013/14	2014/15	TOTAL
	£	£	£	£	£
Frontline staff costs - Pay	0.00	0.00	0.00	0.00	0.00
Frontline staff costs - Non Pay	43,515.00	40,705.00	40,000.00	44,000.00	168,220.00
Administrative Costs - Pay	976,738.00	1,034,728.00	995,000.00	1,046,000.00	4,052,466.00
Administrative Costs - Non Pay	71,969.00	46,064.00	81,000.00	81,000.00	280,033.00
Total	1,092,222.00	1,121,497.00	1,116,000.00	1,171,000.00	4,500,719.00

Note: Figures for 2011-12 are actual outturn; 2012-13 are provisional outturn; 2013-14 and 2014-15 are planned budgets

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4) Delivery and Resources (continued)

Planned 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		0.00
Office Restructure	75,095.00		0.00		0.00		0.00	
Reduction in Travel		36,500.00		0.00				
Reduction in Training		3,900.00		0.00				
Other		-1,495.00		0.00				
Total	75,095.00	88,905.00	0.00	0.00	0.00	0.00	0.00	0.00

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.

Trade Policy Unit is developing a project to educate and inform consumers in developed and developing countries about the impact that barriers have on the price of consumer goods. A pilot for the Trade Transparency Initiative was launched in 2012.

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Annex A : Revisions to Operational Plan 2012/13

No key revisions have been made to this Operational Plan as a result of the refresh

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Annex B: Results Progress

Pillar/ Strategic Priority	Indicator	Baseline (including year)	Progress towards results (including year)	Expected Results (including year)
Press for G20 consensus on duty-free, quota-free (DFQF) access for Least Developed Countries (LDCs)	The World Trade Organization (WTO) report an increase to the extent of DFQF offers and percentage of LDC exports entering G20 markets free of duty (2012 – 2015). G20 countries remain committed to making progress on implementing their DFQF obligations consistent with the WTO Hong Kong Declaration 2012 (97%) at Los Cabos Summit June 2012.	2012 – almost half of G20 countries offer at least 97% to LDCs	There has been no change in the number of G20 countries providing DFQF market access for at least 97 per cent of products originating from LDCs, defined at the tariff line level (the commitment made at the 2005 Hong Kong WTO Ministerial Conference). However, the WTO's latest review reports that conditions for LDC exports are being improved. Most of the developed members of the WTO provide nearly total DFQF access to LDC products. For example, for the EU members, Canada, Japan and Australia, over 99% of imports from LDCs were duty free imports. For China, over 97% of imports were duty-free imports even though only 60% of their tariff lines have zero duties on LDCs	Commitment by all G20 countries to progress towards 100% by 2015. 100% DFQF by G20 has the potential to lift 3 million people lifted out of poverty once implementation complete.
EU Generalised System of Preferences (GSP) regulation is in line with UK position and implementation and management of the regulation is influenced in line with UK interests	Revised GSP regulation enters into force on 1 January 2014 and detailed rules to be agreed for its operation do not further limit access to the EU market for developing countries or place further barriers to Pakistan receiving GSP+ benefits.	All Upper Middle Income Countries (UMIC) and Higher Income Countries excluded; Pakistan meets economic criteria for GSP+ (2012)	Delegated act establishing rules related to the procedure for granting GSP+ agreed and published. Pakistan's application for GSP+ received and being assessed by the Commission along with a number of other GSP+ applicants. Delegated act modifying the beneficiary list of GSP agreed and published.	Flexibility from the Commission in interpreting when a UMIC has initialled an alternative arrangement (and thus eligible for a transitional period); Pakistan meets all criteria for GSP+ eligibility (2014)

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Annex B: Results Progress

Pillar/ Strategic Priority	Indicator	Baseline (including year)	Progress towards results (including year)	Expected Results (including year)
Press for progress on early implementation of elements of Doha Development Round, particularly on issues important to poor countries	Concrete progress towards concluding elements of Doha by March 2014 Trade Facilitation agreed at WTO's 9th Ministerial (MC9) in December 2013	Doha Round negotiations on-going	Under progress - high level agreement that MC9 will include Trade Facilitation, Special & Differential Treatment and something on agriculture. Lobby campaign - targeting all WTO members. Discussions on G8/G20 Summit support.	Trade facilitation agreement adds $6 billion to GDP of sub-Saharan Africa in the long-term
Resist protectionism in all its forms and work to secure a declining number of new protectionist measures in particular those affecting Least Developed Countries (LDCs)	G20 Russia Summit re-affirms commitment to resist protectionism and roll back measures implemented in response to the economic crisis WTO and Global Trade Alert (GTA) reporting on protectionist actions.	Measures that affect LDCs - Global Trade Alert baseline April 2012: Global measures: 154 G20 measures: 97	In the last year 35 measures have been implemented by a G20 country (and 59 globally) that have harmed LDC commercial interests. A total of 165 measures have been implemented by a G20 country since November 2008. Global Trade Alert report that there has been substantial increase in protectionism measures implemented since the last quarter of 2012 at the global level	Net reduction in protectionist measures affecting LDCs by 2015
Consumers in developed and developing countries educated and informed about the impact that barriers have on the price of consumer goods	Launch of web-based tool by September 2013. Tool ready to be launched in pilot by autumn 2012.	0 users (2012)	Several prototype mobile applications and online tools were developed during hack days in Lagos, London and Cape Town in autumn 2012. Some of these pilot applications have proved very successful: the South African apps have already reached over 100,000 users from 99 countries. Five of the best applications are being developed beyond the prototype stage over the next 12 months to reach more people and generate deeper understanding of the impact of trade issues on ordinary people.	60,000 users reached and better informed on free trade by September 2013

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Pillar/ Strategic Priority	Indicator	Baseline (including year)	Progress towards results (including year)	Expected Results (including year)
Increased and more effective participation of LDCs, LICs, in trade negotiations and dispute settlement	Number of low income countries assisted by Trade Advocacy Fund (TAF) on trade negotiations capacity by March 2015	0 (2011)	To date, TAF has engaged directly with sixteen countries and regional groupings in Africa, Asia and the Pacific region, and provided general support through four global advisory events. Demand for the fund has been strong: the first £4million of project funds has been allocated to approved, contracted or completed grants providing technical assistance, training and logistical support, and there is a large pipeline of future grants.	TAF engages effectively on trade policy and negotiations with at least 20 Low Income Countries (LICs) or Regional Economic Organisations
Targeted support to LDCs to assess trade needs and prepare and implement forward strategies	% of the Enhanced Integrated Framework (EIF) countries with increased capacity to assess trade needs and implement strategies	n/a	By the end of November 2012, 37 out of 46 LDCs and 2 graduated countries have EIF projects. Many are in the process of implementing projects to: strengthen their national structures to coordinate the delivery of technical assistance following country priorities and mainstream trade into national development strategies. The pace of progress is varied according to the Mid-Term Review concluded late last year. A reform programme has now commenced to help consolidate implementation and focus on results	That more than 80% of the EIF countries have at least somewhat satisfactory (level 3) level of capacity (five point scale) by May 2014
Implement programmes to enhance trade finance for poor countries to improve global growth and poverty reduction.	No of low income countries reached by multilateral development bank trade finance programmes; volume of trade finance provided to LICs	n/a	In 2012/13 financial year, the International Finance Corporation through its Global Trade Finance Programme provided $ 2.4 billion in guarantees to businesses in poorest countries (IDA countries) to help small and medium sized enterprises access much needed finance to expand and join global trading system.	Multilateral development bank programmes have effectively targeted poor countries and responded to the lack of access to trade finance as a result of the economic crisis