Department for International Development

Operational plan 2011-2016

Trade Policy Unit

Updated December 2014

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Introduction

In 2013 the UK became the first G7 country to meet the United Nations target of spending 0.7% of gross national income on international development. The Department for International Development (DFID) uses that investment to help countries to lift themselves out of poverty and leave poverty behind. Operational plans set out to the public how we plan to deliver results across policy areas and for every country we work in. These plans clearly explain why, and how, DFID is targeting its resources and what we expect to achieve; covering the period up until March 2016.

DFID is focused on spending in the right ways, on the right things, in the right places. The portfolio of our projects is already shifting to deliver a more coherent, focused and ambitious approach to economic development. We are helping to build strong and investable business environments in developing countries and improving access to finance for entrepreneurs.

Improving the prospects for girls and women in developing countries is a priority. Investing in girls and women is the smart thing to do, as well as the right thing to do. By unleashing their potential, we see returns for girls and women themselves, their families and communities, and for their economies and countries. No country can successfully develop if it leaves half its population behind.

Life-saving humanitarian assistance remains one of DFID's most fundamental responsibilities. When disaster strikes or conflict erupts we are first on the ground to support the most vulnerable people. We are also increasing our efforts to help those countries that are at higher risk of natural disasters to become more resilient in the first place.

DFID continues to drive value for money in everything we do on behalf of the British taxpayer. We have improved our procurement and programme management, increased our internal audit oversight and we are ensuring that staff have the skills to deliver the Department's priorities.

On the international stage we are working hard to agree a new set of global development goals to replace the Millennium Development Goals when they expire next year. We are determined to secure a clear and inspiring set of goals for the post 2015 development framework that leave no one behind.

Increasingly we will take new and innovative approaches and we will work with new partners. This will include businesses who are increasingly major development players. During the Secretary of State's time as co-chair of the Global Partnership for Effective Development Cooperation, DFID played a key role in encouraging different development actors to work together and use internationally agreed principles for aid and development effectiveness.

As our operational plans set out, our approach to international development is ambitious and innovative. We are determined to ensure that every pound DFID spends has the biggest possible impact on the ground. Ultimately by investing in developing countries, we can end aid dependency for good and build a better, more prosperous world for us all.

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. For example, in the 1990s per capita income grew more than 3 times faster for those developing countries that lowered trade barriers than for other developing countries. The UK is a strong supporter of aligning trade with development policy as a means to encourage economic growth, create jobs and reduce poverty – helping to reduce aid dependency and in time, creating greater global prosperity and opportunities for UK businesses.

Progress on multilateral trade negotiations that promote global growth and advance the interests of poor people, together with a strong, rules-based multilateral system, are essential to enable developing countries to benefit from global trade. Yet the rise of 'mega-regional' trade agreements and the challenges faced at the World Trade Organization (WTO) in concluding deals risks marginalising the poorest countries and undermining the hard-won rules of the multilateral system. At the same time, the rise of global value chains has created unprecedented trading opportunities for poor countries, making multinational and local firms the major drivers of international trade.

The Trade Policy Unit has the advantage of working across the full range of trade negotiations promoting developing country interests in: the WTO, plurilateral negotiations on services and green goods and bilateral negotiations including the Economic Partnership Agreements with African, Pacific and Caribbean and with emerging powers such as Vietnam and India. We work to enhance and sustain the ability of developing countries to access global markets and complement this with specific support to developing countries to take advantage of this market access and to respond to emerging challenges and opportunities.

In January 2014, DFID published *Economic Development for Shared Prosperity and Poverty Reduction: A Strategic Framework*[1], setting out how we plan to increase our economic development work under the following five pillars:

(1) Supporting the enabling environment for growth led by the private sector;

(2) Improving international rules for shared prosperity;

(3) Catalysing capital flows and trade in frontier markets;

(4) Engaging with businesses to maximise the development footprint of their investments; and,

(5) Ensuring growth is inclusive, and benefits girls and women.

To deliver on this strategic framework, DFID is scaling up financial and staff resources. We have committed to spend £1.8 billion of our budget on economic development by 2015/16, more than doubling the amount spent in 2012/13. That is on top of substantial indirect funding through our core contributions to multilateral organisations. We have doubled the number of private sector development advisers in DFID over the past two years and recruited a new Director General for Economic Development in June 2014 to help drive forward our policy thinking and influencing, and manage our growing investments. Trade Policy Unit is part of the new Economic Development Directorate created in April 2014, which is promoting better coherence across all DFID's economic development activities, and will also address other related strategic priorities for DFID such as girls and women, the golden thread, governance for economic development, climate change, the particular needs of fragile and conflict-affected states, and more effective multilateral delivery.

[1] https://www.gov.uk/government/publications/economic-development-for-shared-prosperity-and-poverty-reduction-a-strategic-framework

Vision

Overview

To increase the growth of trade in low income countries, by sustaining and enhancing their access to markets and increasing their trade competitiveness by lowering the costs of trading and addressing supply-side barriers. The headline results we will deliver reflect this vision, focusing on expanding access to global markets for the poorest countries and by tackling the domestic constraints that prevent developing countries from taking full advantage of market access.

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. 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.

Trade has a critical role to play in DFID's economic development agenda and the joint Department for Business, Innovation and Skills (BIS)/DFID Trade Policy Unit brings DFID's Economic Development agenda to the heart of UK, EU and global trade policy. We engage with the EU and WTO to shape trade policy discussions and negotiations to maximize developing countries' access to EU and world markets, firmly alongside delivering UK priorities.

In line with DFID's Economic Development Strategic Framework the Trade Policy Unit is:

- strengthening the ability of developing countries to negotiate in the WTO and in regional agreements
- delivering programmes that reduce the costs of trade; reducing cross-border red tape and complex regulations that prevent businesses from trading; partnering with business on supply chain upgrading
- supporting women and trade programmes

What we will stop doing

Funding low-value, administrative resource-intensive programmes and continue working towards our target of having a portfolio with a smaller number of higher value, more strategic programmes.

Results 2011/12-2015/16

Headline results (those with a * are directly attributable to DFID. In all other cases, DFID is contributing to the results)

Pillar / Strategic priority	Indicator	Baseline	Progress towards results (including year)	Expected results (end year included)
Economic development: Press for G20 consensus on Duty-Free, Quota-Free (DFQF) access for least developed countries (LDC).	The World Trade Organization (WTO) report increase in DFQF offers and LDC exports entering G20 markets free of duty (2012- 2015). G20 committed to making progress on implementing their DFQF obligations in line with 2012 WTO Hong Kong Declaration. WTO annual updates show progress on DFQF market access for LDCs.	2012 – almost half of G20 countries offer at least 97% to LDCs, with 6 offering 100% (EU Member States and Australia)	No change in number of G20 countries providing DFQF; G20 St Petersburg Summit communique (2013) acknowledges progress made by G20.	100% DFQF by all G20 countries by 2015 has the potential to lift 3 million people out of poverty.
Economic development: EU Generalised System of Preferences (GSP) regulation in line with UK position; implementation and regulation management influenced in line with UK interests	Revised GSP regulation enters into force on 1 January 2014; detailed operational rules do not further limit access to 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)	Good progress achieved. Revised GSP regulation in place since 1 January 2014; Pakistan meets economic criteria; admitted to GSP+ (Dec 2013); Delegated Act released introducing Philippines to GSP+ (2014).	Commission flexibility in interpreting UMIC's initialled alternative arrangements (and thus eligible for a transitional period); Pakistan meets all criteria for GSP+ eligibility (2014); Commission takes development-friendly view of overall progress on International Conventions for GSP+ countries.
Economic development: 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 2015	Doha Round negotiations on-going	Good progress achieved; Political agreement on the Bali Agreement (Dec 2013); however deadline missed for agreement (July 2014) on the legal instrument to insert the Trade Facilitation Agreement (TFA) into the WTO.	TFA adds $10 billion to sub-Saharan Africa GDP in the long-term

Pillar / Strategic priority	Indicator	Baseline	Progress towards results (including year)	Expected results (end year included)
Economic development: Resist protectionism in all its forms; secure a declining number of new protectionist measures in particular those affecting LDCs	G20 Russia Summit re-affirms commitment to resist protectionism and roll back measures implemented in response to the economic crisis WTO; Global Trade Alert (GTA) reporting on protectionist actions.	Measures that affect LDCs - Global Trade Alert baseline April 2012: Global measures 154; G20 measures: 97	Commitment to extend protectionism standstill to end 2016 at St Petersburg G20 Summit (Sept 2013); Despite commitment, protectionist measures are increasing. Global measures: 249 (2014); G20 measures: 158 (2014)	Net reduction in protectionist measures affecting LDCs by 2015
Economic development: Consumers in developed and developing countries educated and informed about impact of barriers on consumer goods' price	Launch of web-based tool by September 2013. Tool ready to be launched in pilot by autumn 2012. Number of users of web based tools by October 2015.	0 users (2012)	Target exceeded. Launch of web-based tools (2013); 225,000 users reached (2013).	60 000 users reached and better informed on free trade by Sept 2013; 300,000 users reached and better informed on free trade by Oct 2015
Economic development: 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)	Target exceeded. TAF supports over 25 low income countries (LICs) or regional economic organisations (2014).	TAF engages effectively on trade policy and negotiations with at least 20 low income countries (LICs) or regional economic organisations by March 2015
Economic development: 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	108 EIF projects in 44 LDCs (Dec 2013);	That more than 80% of the EIF countries have at least somewhat satisfactory (level 3) level of capacity (5 point scale) by May 2015
Economic development: 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 2013-14, IFC provides $90 million guarantee to support Crédit Agricole's $2 billion worth of trade finance transactions in developing countries; The African Development Bank (AfDB) has provided a $280 million trade finance package to the African Export-Import Bank (Afreximbank).	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

Pillar / Strategic priority	Indicator	Baseline	Progress towards results (including year)	Expected results (end year included)
Economic development: EU Economic Partnership Agreements (EPA) successfully negotiated, resulting in development-friendly trade agreements that increase trade and growth in the African, Caribbean, and Pacific Group of States (ACP).	Negotiations concluded for EPAs in West, Southern and East Africa by March 2015. Negotiations concluded for EPAs in Central Africa (CEMAC), East and Southern Africa (ESA) and the Pacific. Trade disruption for 8 UMICs that lose preferences on 1 October 2014 avoided.	Regional EPA implemented in Caribbean; interim EPA implemented in ESA and Pacific (PNG). Negotiations with West, Southern, East Africa ongoing.	Regional EPA negotiations concluded with West, East, Southern, Africa (2014). 7 out of 8 UMIC countries see no trade disruption on 1 Oct 2014.	EU Economic Partnership Agreements concluded by end 2015 that promote economic development in ACP countries.

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 national 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 $10 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 LDCs who are members of the World Trade Organisation could be of the order of $2 billion if G20 Organisation for Economic Co-operation and Development (OECD) countries, matched the EU and 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.

Delivery and resources

Main delivery routes:

G20

As a G20 member, use targeted analysis to influence leaders' summits aiming to:

- Unblock the trade facilitation deal and implement the agreement when finally agreed; and consider how next steps on post-Bali can help wider agendas like development; and look ahead to the next WTO Ministerial Conference.

- Reiterate the importance of timely follow-up to Bali and our commitment to support developing countries to implement the agreement.

- Encourage the G20 to take a stand against protectionism, leading by example.

EU

Influence the European Union to conclude pro-development Economic Partnership Agreements with Africa through informal, technical and senior level discussions with the Commission, the European Parliament and Member States and building the evidence on the economic impact of these trade agreements.

Multilateral

Seeking to agree a post-Bali work plan this year and working to complete ratification of the Bali trade facilitation deal and to conclude an agreement in green goods by end 2015. 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 country offices to develop trade programmes that support economic development. This includes work with DFID Bangladesh on the export garment sector and with DFID Southern Africa to support the regional trade negotiations in Southern and Eastern Africa (the Tripartite Free Trade Agreement). We are working to ensure that the Department's centrally managed programmes on trade fully complement programmes managed at the regional and country level.

Ensure the Trade Advocacy Fund enables progress in the Tripartite and the Continental Free Trade Agreement (CFTA) negotiations in Africa by providing access to high quality technical and advisory support to enhance their capacity to achieve pro-development agreements.

Planned programme spend

Pillar/Strategic	2011/12		2012/13		2013/14		2014/15		2015/16 (provisional*)
	Resource £'000	**Capital £'000**	**Resource £'000**	**Capital £'000**	**Resource £'000**	**Capital £'000**	**Resource £'000**	**Capital £'000**	**Total resource and capital £'000**
Economic development	6,331		9,124		8,523		13,393		
Total	**6,331**		**9,124**		**£12 698**		**13,450**		**16,000**

*Expenditure figures for 2015/16 are indicative. DFID works in a variety of challenging environments, including fragile and conflict affected areas. Humanitarian work is often reactive and can be scaled up or down. An element of flexibility within funding allocations is necessary to ensure that we can balance the need for long term planning alongside the ability to respond where necessary to changing requirements

Planned operating costs

	2011/12	2012/13	2013/14	2014/15	2015/16 (provisional*)
	£'000	£'000	£'000	£'000	£'000
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	44,000.00
Administrative Costs - pay	976,738.00	1,034,728.00	995,000.00	1,046,000.00	1,046,000.00
Administrative Costs - non pay	71,969.00	46,064.00	81,000.00	81,000.00	81,000.00

*Expenditure figures for 2015/16 are indicative. DFID works in a variety of challenging environments, including fragile and conflict affected areas. Humanitarian work is often reactive and can be scaled up or down. An element of flexibility within funding allocations is necessary to ensure that we can balance the need for long term planning alongside the ability to respond where necessary to changing requirements

Delivering Value for Money (VfM)

Maximising the impact of every pound that we spend in the joint Trade Policy Unit on poor people's lives, value for money is a top priority in our approach. We have developed robust value for money strategies across each of our programmes. This includes ensuring that our suppliers have clear performance expectations for delivering cost effective programmes that deliver a good return across our investments. Monitoring of progress on value for money is tracked through the annual review process for each programme. We use the annual reviews to learn lessons and make changes to our programmes that will deliver even greater value for money.

A key example of our efforts to deliver value for money is the Trade Advocacy Fund (TAF), a programme that will deliver one of the headline results in this operational plan. An investment of £12 million is expected to deliver increased and more effective participation of the poorest countries in multilateral, regional and bilateral trade negotiations. TAF is currently supporting 25 developing countries and Regional Economic Communities across the globe.

Cost efficiency is demonstrated by the fact we have decreased the management costs for this programme by around 25% since the start of the programme. This represents good value for money, given the large number of small/medium sized programmes and associated transaction costs. Procurement of consultant services is delegated to the TAF Fund Manager under clear and rigorous procedures agreed by DFID during the Inception Phase of the programme. Supplier fee rates related to level of expertise and experience are tendered or negotiated by the Fund Manager in line with ceiling rates agreed with DFID. Fee rates for consultants have been maintained below the ceilings set by DFID. Cost efficiency is demonstrated by savings on fee rates compared to the TAF ceiling rates, with an overall saving of over 22% in 2014 compared to the ceiling rate.

It is difficult to calculate a rate of return on investment of TAF although the benefits are potentially large. For example, there is evidence of an important contribution by the TAF to developing countries' participation in the Trade Facilitation negotiations at the 2013 WTO Bali Ministerial. Developing countries managed to secure significant flexibilities within the Trade Facilitation Agreement, with the agreement overall estimated as being worth $10 billion per annum to sub-Sahara Africa.

At a policy level we are working jointly with colleagues from BISand the Foreign Office to deliver trade agreements that benefit developing countries. These agreements will help to maximise the benefits of DFID's whole economic development portfolio, unlocking new trade and investment opportunities.

Monitoring and evaluation

Monitoring

The joint Trade Policy Unit monitors its policy and programme interventions to ensure it is on track to deliver results and that resources are being used effectively. For our programmes we conduct quarterly monitoring meetings based on financial and narrative reports required from all of our programme partners. These will be a quarterly assessment of progress against milestones agreed at the start of the programme. The annual review process is also a critical monitoring tool which is used to track progress towards programme outcomes and to make any adjustments to the programme's approach. We also monitor our policy and influencing interventions given the important contribution these make to our headline results. Milestones are set each quarter for our policy work with regular assessments of progress, identifying risks and where we need to prioritise action.

Evaluation

Evaluation is a critical part of our approach to delivering results. Each of our programmes has an evaluation plan which normally includes a mid-term review and a final evaluation. We take a robust approach to programme evaluation and have ensured this in programmes such as the Trade Advocacy Fund and the Trade and Global Value Chains Initiative where we are using an independent evaluation manager who is contracted throughout the programme to track results. This also ensures that the programme's design and delivery are aligned from the outset with strategies for evaluating the programme.

Transparency

Transparency is one of the top priorities for the UK government. It helps people see where money is going and for what purpose. It helps improve value for money and makes governments everywhere more accountable to their citizens. DFID is a world leader in aid transparency and has an ambitious vision for both DFID and its partners. We will ensure that we play our part in continuing to work towards that vision – set out in a suite of commitments the Aid Transparency Guarantee (ATG), Aid Transparency Challenge (ATC) and DFID's Open Data Strategy.

Actions to ensure DFID meets its commitments in the UK Aid Transparency Guarantee

Publication of information

We will support DFID's transparency commitments by

- ensuring that all project documentation is published on the Development Tracker
- ensuring that all information in the public domain is comprehensive, accessible, accurate, timely and written in plain English
- publishing a summary of this operational plan and all project summaries in English
- mapping our programmes so that we can visualise where our support is targeted

Supporting transparency in our work

- We will increase opportunities for those directly affected by our projects to provide feedback on project performance.
- We will seek similar levels of transparency from our partners (civil society organisations, contractors, other donors)

We will help government and citizens use availability of rich data. The Trade Transparency Project launched in 2012 has helped to educate and inform consumers in developing countries about the impact that trade barriers have on the price of consumer goods through the use of web tools and mobile apps.

Annex A: Changes to operational plan

Page number	Change made to operational Plan	Reason for change
3	Revised to reflect importance of mega-regional trade agreements and global value chains; updated to reflect DFID economic development policy	These are important changes to the global trade context
4	Updated to reflect economic development agenda	Important policy change and spending target for DFID
6	Additional results indicator on DFQF included	Time period for previous indicators has passed.
6	Doha development agenda result indicator updated	Time period for previous indicator has passed
6	Expected results for web tools updated	Previous indicator has already been met
7	Additional result on economic partnership agreements	Significant policy area linked to market access and economic development for developing countries