

# Operational Plan 2011-2015

## Trade Policy Unit (DFID resources)

Updated June 2012

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# Introduction

The UK Government is determined to help reduce the inequalities of opportunity we see around the world today. We believe that promoting global prosperity is both a moral duty and in the UK's national interest. Aid is only ever a means to an end, never an end in itself. It is wealth creation and sustainable growth that will help people to lift themselves out of poverty.

In May 2010, the International Development Secretary, Andrew Mitchell, commissioned the Bilateral Aid Review to take a comprehensive and ambitious look at the countries in which DFID works through our direct country and regional programmes. The review focussed on the best ways for the UK to tackle extreme poverty, ensuring that we make the greatest impact with every pound we spend. In parallel, through the Multilateral Aid Review, DFID assessed how effective the international organisations we fund are at tackling poverty.

On the 1st March 2011, the key outcomes of the reviews were announced, including the results that UK aid will deliver for the world's poorest people over the next four years. The Bilateral Aid Review has refocused the aid programme in fewer countries so that we can target our support where it will make the biggest difference and where the need is greatest. The Multilateral Aid Review findings enable us to put more money behind effective international organisations which are critical to delivering the UK's development priorities. In addition the independent Humanitarian Emergency Response Review looked at how the UK can build on its strengths in responding impartially to humanitarian needs and help ensure future disaster responses can be better prepared and coordinated.

DFID is committed to being a global leader on transparency. In the current financial climate, we have a particular duty to show that we are achieving value for every pound of UK taxpayers' money that we spend on development. Results, transparency and accountability are our watchwords and guide everything we do. DFID regards transparency as fundamental to improving its accountability to UK citizens and to improving accountability to citizens in the countries in which it works. Transparency will also help us achieve more value for money in the programmes we deliver and will improve the effectiveness of aid in reducing poverty.

The UK Aid Transparency Guarantee commits DFID to making our aid fully transparent to citizens in both the UK and developing countries. As part of this commitment we are publishing Operational Plans for country programmes. The Operational Plans set out the vision, priorities and results that will be delivered in each of our country programmes.

We will concentrate our efforts on supporting achievement of 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.

## 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.

The 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 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).

### 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)	<p>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).</p> <p>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.</p>	2012 – almost half of G20 countries offer at least 97% to LDCs, with six offering 100% (EU Member States and Australia)	<p>Commitment by all G20 countries to progress towards 100% by 2015.</p> <p>100% DFQF by G20 has the potential to lift 3 million people lifted out of poverty once implementation complete.</p>
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)	<p>G20 Los Cabos (Mexico) Summit re-affirms commitment to resist protectionism and roll back measures implemented in response to the economic crisis (June 2012 )</p> <p>WTO and Global Trade Alert (GTA) reporting on protectionist actions.</p>	<p>Measures that affect LDCs - Global Trade Alert baseline April 2012:</p> <p>Global measures: 154 G20 measures: 97</p>	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

### 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

## 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 WTO-member LDCs could be of the order of \$2 billion if G20 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).

### 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.

Projections for economic benefits as a result of the proposed improvements in trade facilitation under DDA 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.

## 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% 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 early implementation of elements of the Doha Development Round 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 on regional integration and trade facilitation.

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

## 4) Delivery and Resources (continued)

### Resources

Pillar/Strategic priority	2011/12 outturn		2012/13		2013/14		2014/15		TOTAL		
	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital	Resource	Capital	Total
Wealth Creation	6,539,392	0	11,500,000	0	11,000,000	0	11,000,000	0	40,039,392	0	40,039,392
<b>TOTAL</b>	<b>6,539,392</b>	<b>0</b>	<b>11,500,000</b>	<b>0</b>	<b>11,000,000</b>	<b>0</b>	<b>11,000,000</b>	<b>0</b>	<b>40,039,392</b>	<b>0</b>	<b>40,039,392</b>

## 4) Delivery and Resources (continued)

### Operating Costs

	2011/12 outturn	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	43,515.00	36,000.00	36,000.00	36,000.00	151,515.00
Administrative Costs - Pay	976,738.00	1,043,000.00	992,000.00	992,000.00	4,003,738.00
Administrative Costs - Non Pay	71,969.00	76,000.00	88,000.00	88,000.00	323,969.00
<b>Total</b>	<b>1,092,222.00</b>	<b>1,155,000.00</b>	<b>1,116,000.00</b>	<b>1,116,000.00</b>	<b>4,479,222.00</b>

## 4) Delivery and 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		0.00
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				
<b>Total</b>	<b>75,095.00</b>	<b>88,905.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## 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 is due to be launched later in 2012.