

UK aid for trade

Approach paper

October 2022

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1. Purpose, scope and rationale

'Aid for trade' is development assistance that helps developing countries to build their capacity to benefit from international trade.¹ The purpose of this review is to assess whether UK aid for trade is designed and delivered to support inclusive economic growth and poverty reduction.

The review will examine the relevance and effectiveness of UK aid for trade since 2015, assessing to what extent programmes address binding constraints to trade and promote poverty reduction and inclusion. The review will also assess how effectively the UK has worked with partners at the international, regional and country levels. Other important issues will include whether the UK has adapted its approach to the changing context (domestically and globally), whether it has caused inadvertent harm, and how well it has used learning to improve programming. The review will focus on support provided through the Department for International Development (DFID), the Foreign and Commonwealth Office (FCO) and, subsequently, the Foreign, Commonwealth and Development Office (FCDO), as well as the cross-government Prosperity Fund.

The choice of this review topic reflects the strong focus on trade in the UK's 2015 and 2022 international development strategies, including the dual objectives of poverty reduction in developing countries and securing benefits for the UK. ICAI has not conducted a detailed assessment of UK aid for trade programming since the 2013 review of DFID's trade development work in southern Africa,² although our 2019 information note on the use of UK aid to enhance mutual prosperity³ assessed some related issues.⁴ The 2013 review highlighted some serious challenges, including a lack of focus on poverty reduction, while the 2019 information note flagged the risk that the focus on poverty reduction might be diluted by the pursuit of benefits for the UK. This review provides an opportunity to assess the wider aid for trade portfolio, offering evidence to inform improvements in programming, as well as examining how the UK balances its objectives on aid for trade.

The World Trade Organisation Aid for Trade Task Force, set up in 2006, defines 'aid for trade' broadly as including all support to the trade-related development priorities of recipient countries.⁵ This includes the following categories:

- 1. Trade policy and regulations and trade-related adjustment** including: building the capacities needed to develop national trade policies, participate in regional and multilateral trade negotiations and implement trade agreements; facilitating trade through improvements and simplification of export and import procedures to support, for example, improved compliance with international standards and reducing burdensome customs procedures at the borders; and helping developing countries with the costs associated with trade liberalisation, such as tariff reductions which lead to reductions in government revenue.
- 2. Building productive capacity** by supporting the productive sectors of the economy (such as agriculture, industry and services) to build their capacity to export.
- 3. Economic infrastructure**, including support to help countries build the physical means (such as transport, storage, communications and energy) to produce, move and export goods.

1 In this review, 'trade' means international trade.

2 *DFID's trade development work in southern Africa*, Independent Commission for Aid Impact, December 2013, [link](#).

3 As defined by the UK's Prosperity Fund, in addition to contributing to poverty reduction, mutual prosperity objectives include secondary benefits which are "new economic opportunities for international, including UK, business and mutually beneficial economic relationships". *The use of UK aid to enhance mutual prosperity: Information note*, Independent Commission for Aid Impact, October 2019, [link](#). Rather than mutual prosperity, the UK government now uses the term British Investment Partnerships, covering cooperation with governments and the private sector to achieve better outcomes for people in low- and middle-income countries as well as British citizens. *The UK government's strategy for international development*, HM government, 2022, [link](#).

4 *The use of UK aid to enhance mutual prosperity: Information note*, Independent Commission for Aid Impact, October 2019, [link](#).

5 For statistical purposes, support is reported to the Organisation for Economic Cooperation and Development (OECD) under the following categories: **trade policy and regulations** (trade policy and administrative management, trade facilitation, regional trade agreements, multilateral trade negotiations, trade education/training) and **trade-related adjustment; building productive capacity** (banking and financial services, business and other services, agriculture, forestry, fishing, industry, mineral resources and mining, tourism); and **economic infrastructure** (transport and storage, communications, energy).

In practice, however, some development partners classify all their support to the productive sectors or infrastructure as aid for trade, including support that does not have any trade-related objectives. In setting the scope for this review, we will include UK programmes that include at least one element of support related to trade policy and regulations.⁶ This enables us to cover the range of activities listed above, while keeping the review focused on trade.

2. Background

Trade is an important driver of economic growth, with the potential to contribute to poverty reduction in developing countries. Economies that trade more tend to have higher growth rates. However, gains from trade are rarely evenly distributed across the economy and changes to trading patterns can create winners and losers. Particular regions, communities or social groups may face adjustment costs (such as increased competition from imports and job losses) or experience only limited benefits (due, for example, to remoteness, poor infrastructure and/or unequal access to resources). The economy as a whole may become more vulnerable to trade-related shocks, such as spikes in key prices. For this reason, efforts to increase trade often need to be accompanied by additional measures to cushion the impacts on people living in poverty and ensure they are able to benefit. In recent years, there has been increased recognition of the need to apply an ‘inclusion lens’ to the design of aid for trade programmes.⁷

The UK government’s 2015 and 2022 international development strategies shifted the focus of UK aid towards economic growth and trade.⁸ The objectives included supporting developing countries to increase their exports and to trade more with the UK, thereby creating secondary benefits for UK business.⁹ The UK remains committed to complying with the provisions of the International Development Act 2002 that aid is untied (in other words, that aid is not offered on the condition that it be used to procure goods or services from the UK).¹⁰ The 2022 strategy emphasises the potential of trade to help countries grow their economies, raise incomes, create jobs and lift people out of poverty.

Over recent years, the changing aid and trade context, in the UK and globally, has affected the direction of aid for trade and the shape of the portfolio. This includes UK-specific factors such as aid budget reductions and Brexit, as well as global factors such as the COVID-19 pandemic, war in Ukraine and the rise in protectionism.

According to the latest aid statistics, the UK was among the top ten providers of aid for trade between 2015 and 2020, behind Japan, the World Bank, EU institutions, Germany and France.¹¹ However, the latest figures do not capture the significant reductions to UK aid that have taken place since 2020, and it is likely that the UK has moved down the ranking.

Between 2015 and 2020, UK support specifically to **trade policy and regulations** amounted to £416 million.¹² Below, we summarise the main characteristics of this type of support:

- **Geography:** African countries received 44% of the funding, and Asian countries 20%. 34% is ‘unspecified’ geographically, representing global and multi-country programmes. The remaining 2% is linked to other specified countries and regions.
- **Sub-categories:** The spending is split across the following areas (see **Figure 1**): trade facilitation (46%), trade policy and administrative agreements (37%), regional trade agreements (8%), trade education/training (5%) and multilateral trade negotiations (4%).¹³

6 Such programmes may be categorised against the other aid for trade categories (such as infrastructure) as well as categories not explicitly categorised as aid for trade (such as agriculture).

7 *Inclusive trade – four crucial aspects*, Institute of Development Studies, 2022, [link](#); *The role of trade in ending poverty*, World Bank and World Trade Organisation, 2015, [link](#); *The distributional impacts of trade: Empirical innovations, analytical tools, and policy responses*, World Bank, 2021, [link](#).

8 *UK aid: tackling global challenges in the national interest*, HM government, 2015, [link](#). *The UK government’s strategy for international development*, HM government, 2022, [link](#).

9 See footnote 3 above on mutual prosperity and British Investment Partnerships.

10 *International Development Act*, HM government, 2002, [link](#).

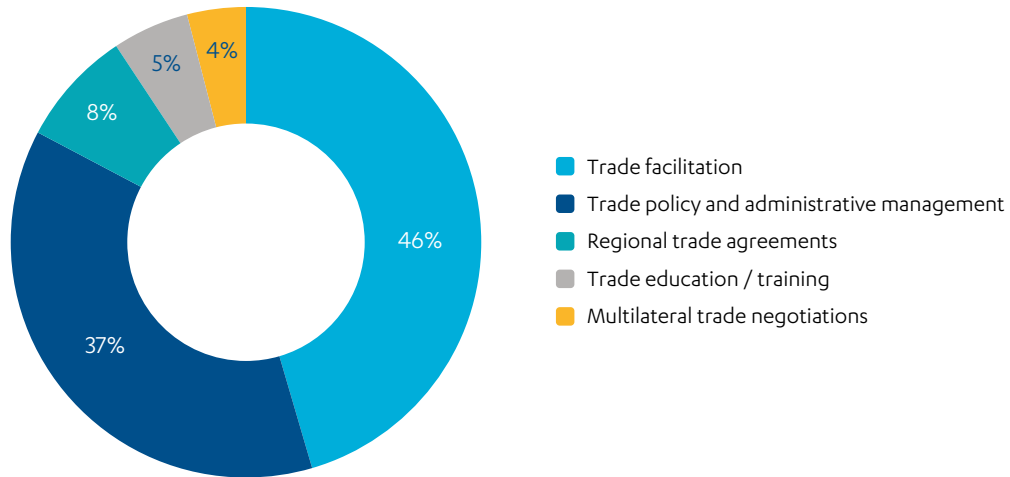
11 OECD Aid for Trade statistical queries database, [link](#).

12 ICAI calculations, based on FCDO data.

13 Trade-related adjustment received less than 0.003% of support. Typically, trade-related adjustment accounts for a small percentage of support, with global figures for all aid for trade from all donors amounting to 2% on average.

- **Channels:** The UK provided 30% of support through multilateral channels and 70% bilaterally.
- **Government departments:** Across government departments, the former DFID was responsible for 84% of programmes by value, the cross-government Prosperity Fund funded 11%, the former FCO and the Conflict, Stability and Security Fund each accounted for 2%, while the Department for International Trade and HM Revenue and Customs managed less than 1% each.

Figure 1: Trade policy and regulations aid for trade sub-categories, 2015-20



The UK appears to report all of its support to productive sectors and infrastructure as aid for trade. Using this broad definition, the aid for trade portfolio included over £9 billion in support during the review period.¹⁴ Interventions in these two areas tend to be of higher value than support for trade policy and regulations, which is mainly technical assistance. We have limited the scope of our review to programmes with at least one element related to trade policy and regulations. Given these programmes often include support to other areas, such as economic infrastructure, this results in a portfolio of approximately £1.5 billion, covering 64 programmes. All the programmes support trade policy and regulations, 48% include support for building productive capacity, and 22% include support for economic infrastructure.¹⁵

14 ICAI calculations, based on FCDO data.

15 ICAI calculations, based on FCDO data. We note that programme budgets have not always been updated to reflect budget reductions since 2020, and that UK aid statistics do not always include accurate breakdowns by sub-categories of expenditure. During the review, we will update the data reflecting any new information on the budget and portfolio of programmes.

3. Review questions

The review is built around the evaluation criteria of relevance and effectiveness, as well as learning.¹⁶ It will address the questions and sub-questions listed in **Table 1**.

Table 1: Our review questions

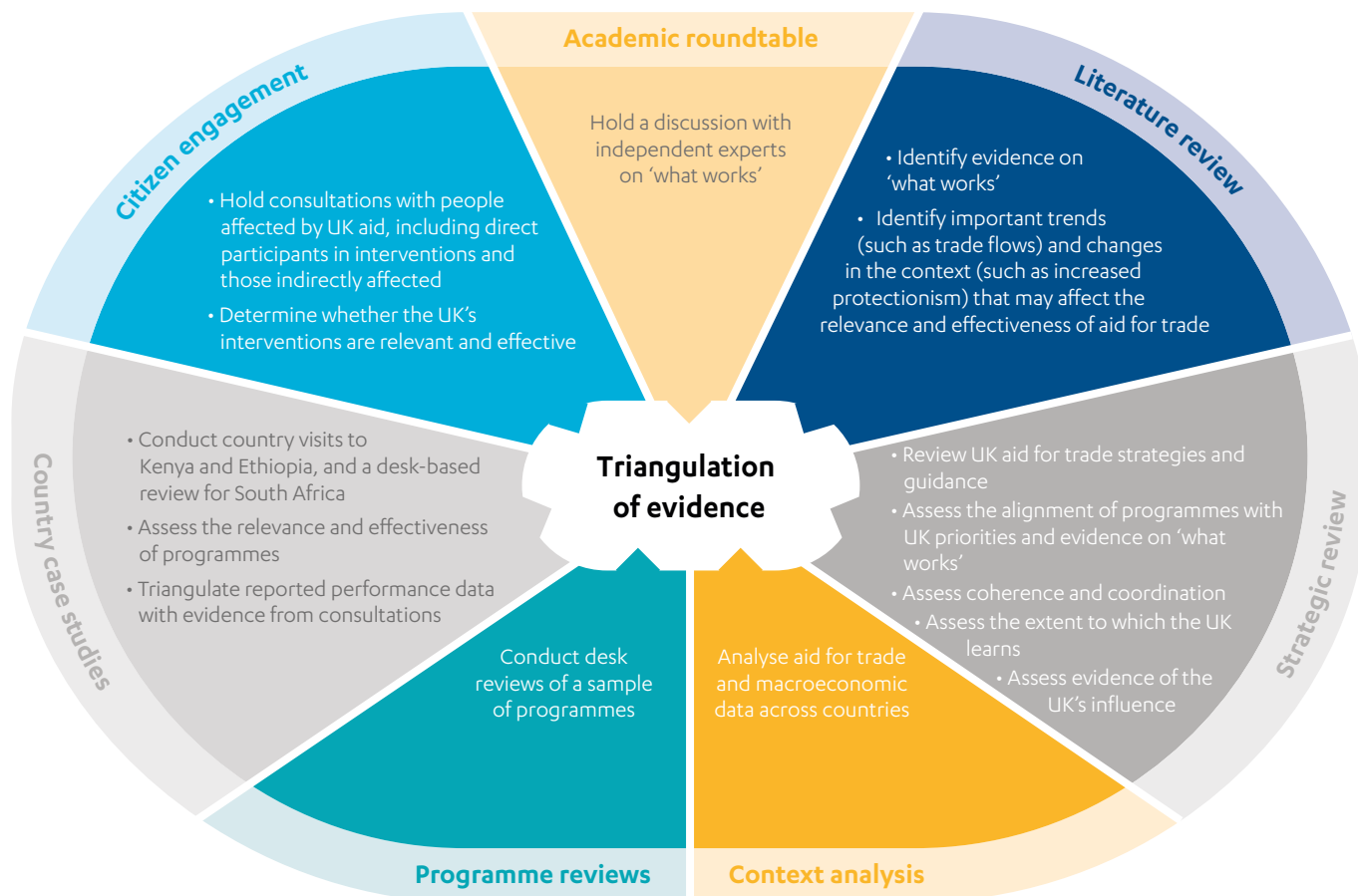
Review criteria and questions	Sub-questions
<p>1. Relevance: Does the UK have a clear and coherent approach to aid for trade?</p>	<ul style="list-style-type: none"> • To what extent has the design of UK aid for trade programmes focused on the most significant constraints to trade? • To what extent has the design of UK aid for trade programmes focused on poverty reduction and inclusion? • To what extent have UK aid for trade programmes adapted to the changing aid and trade context?
<p>2. Effectiveness: To what extent has the UK achieved its aid for trade objectives?</p>	<ul style="list-style-type: none"> • To what extent has the implementation of UK aid for trade interventions led to reductions in trade constraints, contributing to increased trade? • To what extent has the implementation of UK aid for trade interventions promoted poverty reduction and inclusion, including addressing the distributional impacts of interventions and managing any unintended consequences? • How effectively has the UK worked with international/multilateral and regional organisations and initiatives to deliver more effective aid for trade interventions?
<p>3. Learning: How has the UK used learning from ongoing aid for trade interventions to evolve its approach to design and delivery?</p>	<ul style="list-style-type: none"> • Has there been systematic and effective monitoring and evaluation of UK aid for trade programmes, including assessing effects on poverty reduction and inclusion? • How effectively have UK aid for trade programmes used monitoring, evaluation and learning from programmes (UK-funded and other donors/multilaterals) to adapt and improve design and implementation?

¹⁶ Based on the OECD DAC evaluation criteria. *Principles for evaluation of development assistance*, Development Assistance Committee of the Organisation for Economic Cooperation and Development, 1991, [link](#).

4. Methodology

The methodology includes the following seven components (**Figure 2**) to allow for data triangulation to robustly answer the review questions. The methodology will employ qualitative approaches throughout, except for the context analysis where we will analyse aid and macroeconomic data to better understand the context in each country.

Figure 2: Methodology overview



Component 1 – Literature review: We will conduct a review of the available peer-reviewed and grey literature. The literature review will assess the evidence on 'what works' in aid for trade programming to enable us to determine the degree to which the UK approach reflects evidence and best practice. It will also inform our context analysis (**Component 3**) by identifying relevant contextual changes to help the team assess the extent to which these have been factored into the design and adaptation of UK strategies and programmes. Overall, it will help to contextualise the current trends and developments in UK aid for trade.

Component 2 – Strategic review: We will conduct a review of relevant UK policies, strategies and guidance on aid for trade, and examine whether these reflect the available evidence identified in the literature review. We will expand our initial mapping of aid for trade programmes to examine whether the portfolio aligns to UK priorities, as well as the evidence base on 'what works'. We will assess coherence and coordination across government departments and with other development partners on aid for trade. We will also review how well departments are learning, including efforts to collect, synthesise, share and use evidence. This component will also seek evidence of the UK's influence on key international, multilateral and regional organisations involved in aid for trade.

In addition to the document review, we will undertake stakeholder interviews with relevant UK government staff and key external stakeholders, including academics, development partners, and private sector and civil society representatives, including interviews with relevant stakeholders in Geneva. We will also conduct interviews with members of the Trade for Development Thematic Working Group, Trade Centre of Expertise and Trade for Development Board.

Component 3 – Context analysis: This component will analyse aid for trade and macroeconomic data (such as trade, growth and poverty) across countries. This will enable the team to assess the context in each country and inform the assessment (through the strategic review, programme reviews and country case studies) of the extent to which contextual changes are factored into strategies and programme design and adaptation.

Component 4 – Programme reviews: We will conduct desk reviews of a sample of programmes by reviewing relevant programme documents and conducting interviews with responsible government officials and implementing partners, including in Geneva. We have selected a sample of programmes based on the criteria described in Section 5. The programme reviews will assess whether the programme designs are evidence-based, the extent to which they are implemented effectively and achieving their intended results, and the degree to which any learning leads to improvements.

Component 5 – Country case studies: We will conduct two country visits and one desk review. We have selected Kenya and Ethiopia for the country visits and South Africa for the desk review. The case studies will assess the UK aid for trade portfolio in each country, collecting and analysing evidence on the relevance and effectiveness of programmes and the extent to which learning is taking place to improve design and implementation. This includes assessing whether programming reflects the underlying evidence base and context, UK priorities in policies and strategies, and any guidance on aid for trade. The case studies will triangulate reported performance data with evidence from key stakeholder interviews with programme counterparts and implementers and other informed observers, as well as feedback from people affected by UK aid (**Component 6**).

Component 6 – Citizen engagement: ICAI is committed to incorporating the voice of people affected by UK aid into its reviews. Consultations with people affected in Kenya and Ethiopia will be undertaken by a national research partner. The consultations will include direct participants in UK programmes and those indirectly affected by the interventions, to determine whether the UK's interventions are relevant to their needs and priorities and whether any potential negative effects are assessed and mitigated. Findings will be triangulated through review of relevant available secondary data on citizen views in the two countries.

Component 7 – Academic roundtable: We will hold a discussion with independent experts to compare UK strategies and programmes with evidence on 'what works' and assess the extent to which the UK's approach supports inclusive growth and poverty reduction, and whether it is relevant in light of a changing global context.

5. Sampling approach

The methodology involves two sampling elements: selection of global and regional programmes and three case study countries. The country case studies will include those global and regional programmes that are/were active in the selected countries, as well as bilateral programmes.

Table 2: Sampling criteria for global and regional programmes for the programme review

Primary criteria
Budget size greater than £10 million
Balanced coverage of aid for trade categories
Approval before 2020
Secondary criteria
Mix of implementing partners
Coverage of relevant UK government priorities and objectives
Includes programmes suitable for engagement with people affected by UK aid

Table 3: Sampling criteria for country selection for country case studies

Primary criteria
Size of portfolio for aid for trade
Number of programmes
Mix of income groups: least developed countries (LDCs), lower-middle-income countries (LMICs) and upper-middle-income countries (UMICs) ¹⁷
Includes programmes suitable for engagement with people affected by UK aid
Secondary criteria
Coverage of relevant UK government priorities and objectives
Coverage of aid for trade categories

We selected ten global and regional programmes from a long list of 64, based on our initial scoping research and information provided by FCDO and using the sampling criteria in **Table 2**. The sample covers different aid for trade categories and a mix of implementing partners such as the World Trade Organisation and the UN, as well as the private sector and civil society. It also includes programmes which have the potential to benefit people both in low- and middle-income countries and in the UK. We will also add any additional relevant bilateral programmes for the country case studies.

Based on the criteria in **Table 3**, we selected **Kenya and Ethiopia** as country case studies, plus **South Africa** for a desk review. Both Kenya and Ethiopia are in the top ten recipients of UK aid for trade.¹⁸ The selection covers a range of income groups (LDCs, LMICs and UMICs), programmes across aid for trade categories and a mix of country, regional and international programmes. The selection also covers programmes that reflect UK priorities on aid for trade (for example, dual objectives of poverty reduction while securing benefits for

¹⁷ *The world by income and region*, World Bank, [link](#).

¹⁸ Kenya ranks third and Ethiopia ranks fourth when using the broad definition of aid for trade. Kenya ranks third and Ethiopia ranks seventh when using the narrow definition of aid for trade.

the UK and continent-wide integration) and programmes which lend themselves to the citizen engagement component (in other words, the ability to identify and reach affected populations).

Specific reasons for selecting the countries include the following:

- **Kenya** has the highest number of aid for trade programmes in sub-Saharan Africa, including the UK's largest 'flagship' aid for trade programme, TradeMark East Africa, which focuses principally on regional integration in East Africa.
- **Ethiopia** has a high number of aid for trade programmes and is an LDC.
- The **South Africa** portfolio includes an active legacy Prosperity Fund programme working across government departments.

6. Limitations to the methodology

We will rely primarily on data generated by the programmes in the scope of this review, plus any relevant evaluations to assess effectiveness. We will manage the resulting risk of evidence gaps and bias by collecting and triangulating evidence through interviews with implementing partners, other development partners and, in the case study countries, through consultations on the ground.

Given the long and complex causal links between trade interventions, poverty reduction and inclusion, we may struggle to find evidence and adequate insight of the effects on poverty reduction and inclusion. To mitigate this, we will identify key testable elements in the theories of change and use secondary evidence (for example, in the literature) to supplement our assessment of effectiveness.

Inadequate labelling of support as aid for trade due to FCDO statistical and reporting issues, especially at the country level, may lead the team to inadvertently omit relevant programmes. To mitigate this, the team will work with FCDO country offices (Kenya, Ethiopia and South Africa) early on to identify any additional programmes.

7. Risk management

We have identified several risks associated with this review and propose a series of mitigating actions, where necessary, as presented below in **Table 4**.

Table 4: Risks and mitigation

Risks	Mitigation and management actions
Limited historical memory in the departments going back to 2015	We will exclude programmes that were completed before 2020. We will also secure contact details of previous advisers and emphasise the importance of their insights for the review, especially with respect to learning.
Sensitivities of programme information lead to resistance from the UK government in sharing information and insights	We will mitigate this through effective relationship management and emphasising the learning opportunity from this review.
Different interpretations of aid for trade definitions	We will make it clear to all how we are defining aid for trade for the purpose of this review.
Programme budgets available online may not be up to date	We will work closely with FCDO to ensure all figures used are accurate.

8. Quality assurance

The review will be carried out under the guidance of ICAI lead commissioner Sir Hugh Bayley, with support from the ICAI secretariat. The review will be subject to quality assurance by the service provider consortium.

Both the methodology and the final report will be peer-reviewed by Dr Mohammad Razzaque, an expert in applied international trade and development policy analysis.

9. Timing and deliverables

The review will take place over an 11-month period, starting from July 2022.

Table 5: Timing and deliverables

Key stages and deliverables	Dates/timeline
Inception	Approach paper publication: October 2022
Data collection	Desk research: July – September 2022 Fieldwork: October – November 2022 Evidence pack: December 2022 Emerging findings presentation: December 2022
Reporting	Report drafting: January 2023 – April 2023 Final report: May 2023



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