Independent Commission for Aid Impact

UK aid for trade

A review

June 2023

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Overall review scores and what they mean

GREEN	Strong achievement across the board. Stands out as an area of good practice where UK aid is making a significant positive contribution.
AMBER/ RED	Unsatisfactory achievement in most areas, with some positive elements. An area where improvements are required for UK aid to make a positive contribution.
GREEN/ AMBER	Satisfactory achievement in most areas, but partial achievement in others. An area where UK aid is making a positive contribution, but could do more.
RED	Poor achievement across most areas, with urgent remedial action required in some. An area where UK aid is failing to make a positive contribution.

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AMBER/
RED

The UK is not doing enough to ensure that its aid for trade interventions benefit the poor, and the increased focus on short-term UK interests poses risks to the quality of programming that are not being sufficiently managed

Overall, we find the UK's approach to aid for trade broadly reflects the priorities of partner countries and the evidence on 'what works' in increasing trade and promoting economic growth. However, the government is not paying sufficient attention to ensuring that trade contributes to poverty reduction and benefits the poor. There are also risks that the pursuit of secondary benefits to the UK may compromise the quality of programming, and the focus on poverty reduction. In addition, the recent aid budget reductions have had detrimental effects on the UK's reputation and influence among partners.

Nevertheless, there are areas of strength within the portfolio. The UK's support has contributed to positive results, including delivering significant reductions in the time to trade across borders and contributing to increases in trade, although who benefits is less clear. Overall, the UK made significant progress in delivering its intended results in the period before the aid budget reductions. However, the effectiveness of UK aid for trade is now at considerable risk due to these reductions, which have left a portfolio that is more fragmented and less focused on delivering benefits for the poor.

While there are systemic challenges in assessing the wider impacts of many aid for trade programmes, given the length of time for results to materialise and the long and complex results chains, efforts to address these challenges are lacking and have deteriorated further as a result of the aid reductions.

Individual question scores

Question 1
Relevance: Does the UK have a clear and coherent approach to aid for trade?

AMBER/
RED

Question 2
Effectiveness: To what extent has the UK achieved its aid for trade objectives?

GREEN/
AMBER

Question 3
Learning: How has the UK used learning from ongoing aid for trade interventions to evolve its approach to design and delivery?

AMBER/
RED

Contents

Acronyms

Acronym	Definition
ACCELERATE	Accelerating Ethiopia's economic transformation
AFTR	Africa Food Trade and Resilience
AGOA	African Growth and Opportunities Act
ARTCP	Asia Regional Trade and Connectivity Programme
BII	British International Investment (formerly CDC Group)
DFID	Department for International Development (merged with the Foreign and Commonwealth Office in September 2020)
EIAF	Ethiopia Investment and Advisory Facility
EIF	Enhanced Integrated Framework
FCDO	Foreign, Commonwealth and Development Office
FCO	Foreign and Commonwealth Office (merged with the Department for International Development in September 2020)
FTESA	FoodTrade East and Southern Africa
GATF	Global Alliance on Trade Facilitation
GCRF	Global Challenges Research Fund
GG	Growth Gateway
GTP	Global Trade Programme
HMRC	HM Revenue and Customs
ICAI	Independent Commission for Aid Impact
ODA	Official development assistance
OECD	Organisation for Economic Cooperation and Development
SARTIP	South Asia Regional Trade and Integration Programme
SDG	Sustainable Development Goals
SITFA	Support for the Implementation of the World Trade Organisation Trade Facilitation Agreement
STDF	Standards Trade and Development Facility
TAF	Trade Advocacy Fund
TAF2+	Trade and Investment Advocacy Fund
TC	Trade Connect
TFA	Trade Facilitation Agreement
TFAF	Trade Facilitation Agreement Facility

Acronym	Definition
TFD	Trade for Development
TFMICs	Trade Facilitation in Middle-Income Countries
TFSA	Trade Forward Southern Africa
TFSP	Trade Facilitation Support Programme
TMEA	TradeMark East Africa
UKTP	UK Trade Partnerships
WEF	World Economic Forum
WTO	World Trade Organisation

Executive summary

Over the last 50 years, the steady rise in international trade has been a major driver of economic growth in many parts of the world, especially in Asia. However, the poorest countries are least likely to benefit from the trading opportunities; together, they account for just 1% of global exports. They face a range of constraints on their ability to trade, including poor infrastructure, high transportation costs and cumbersome border procedures. Enterprises in poorer countries also often lack the ability to produce goods of the required quantity and quality for international markets. Furthermore, the opportunities for trade-related development have been heavily disrupted in recent years, including by trade tensions between the US and China, the COVID-19 pandemic and the Russian invasion of Ukraine.

'Aid for trade' is an area of development assistance that helps countries expand their trade. This review assesses how well the UK's aid for trade supports economic growth and poverty reduction. It examines the relevance of the UK's support since 2015 and its effectiveness in tackling constraints on trade and promoting inclusive economic growth. It also examines how well the UK has assessed the impact of aid for trade on poverty reduction and the poor.

Relevance: Does the UK have a clear and coherent approach to aid for trade?

Since 2015, trade has become increasingly prominent in UK development policies and strategies. As well as recognising trade's potential to act as an engine of economic growth, the UK has prioritised building trade ties with developing countries, particularly since its departure from the European Union, in order to promote mutual prosperity. Mutual prosperity objectives include both poverty reduction in recipient countries and benefits for the UK (called secondary benefits) through mutually beneficial economic relationships (see **paragraph 1.4**).

Through its aid for trade programming, the UK is helping developing countries to increase their trade through interventions that improve market access, reduce the time and cost of trading across borders, and build the capacity of firms to export. The UK is also helping to strengthen the international rules-based system (particularly the World Trade Organisation (WTO), which deals with the rules of trade between countries) underpinning global trade and economic integration. The UK's approach is relevant and credible, broadly reflecting the priorities of partner countries and the evidence on 'what works' in increasing trade and promoting economic growth.

However, whether increases in trade result in benefits for poor people in developing countries depends on other factors, such as the ability of smaller enterprises to produce goods of export quality and the ability to benefit from job opportunities created. The literature shows that additional measures are often required to ensure inclusive results, such as support to small businesses and farmers. We find that many UK programmes are not paying enough attention to whether these measures are in place. Also, while the portfolio has a good level of focus on women, there is less emphasis on inclusion of other marginalised groups (for example, people living with disabilities and youth), particularly since the aid budget reductions.

The creation of the Foreign, Commonwealth and Development Office (FCDO) and the increased focus on cross-government working have opened up possibilities for a more integrated approach to aid for trade across government. These developments have encouraged aid officials to explore how to make better use of tools, such as economic diplomacy, to deliver results. However, cross-government coordination and collaboration remain a work in progress and the government has only partially taken advantage of the opportunities this creates. We also found insufficient coordination and collaboration between programmes that have the potential to complement each other. This includes coordination between centrally managed and bilateral UK aid for trade programmes, between UK aid for trade and wider economic development programmes, and between programmes funded by the UK and by other donors, reducing the potential combined impact of programmes.

Up until 2019, we found limited evidence of UK aid for trade programmes being designed specifically to deliver secondary benefits to the UK. References to secondary benefits often appeared to be included in programme design documents to secure internal approval, rather than being integral to their design. However, since 2019, there are signs of an increased emphasis on secondary benefits to the UK in the design of new programmes. These programmes also work primarily with established enterprises in more developed markets, suggesting a shift away from interventions that benefit the poor. In addition, the UK has also shifted its geographical focus in Africa to larger economies, such as Ghana, Kenya, Nigeria and South Africa, where its potential trading opportunities are stronger. While there is poverty in these countries, poverty levels are greater in other countries in sub-Saharan Africa where FCDO, and the former Department for International Development, traditionally provided more support. Aid for trade programmes can legitimately deliver economic benefits for both the UK and developing countries, but we found a lack of detailed guidelines on how to incorporate secondary benefits without compromising the primary purpose of UK overseas development assistance, which is poverty reduction.

The recent aid budget reductions, and the way these were managed, have had detrimental effects on the UK's relationships, reputation and influence among partners. These budget reductions have also led to a portfolio thinly spread across programmes, themes and countries. In addition, the UK has significantly reduced its support to institutions such as the WTO and the World Bank that strengthen the rules-based international trading system. This runs counter to the UK government's stated objective.

Due to these important gaps and risks, we award an **amber-red** score for relevance.

Effectiveness: To what extent has the UK achieved its aid for trade objectives?

UK aid for trade has contributed to positive results in both trade negotiations and trade policy and regulatory reforms. It has enabled least developed countries to gain better outcomes in international trade negotiations. It has also contributed to significant reductions in the time it takes for goods to cross national borders, although it is not always clear who benefits from such reductions. Benefits further along the results chain are harder to measure and attribute to UK interventions (see the section on learning), though several FCDO programmes reported increases in trade volumes and values.

UK-funded interventions directly supporting small enterprises and farmers have contributed to positive results for poor and marginalised groups, including women. However, these programmes often faced difficulties in bringing these benefits to scale and sustaining them over time. These types of programme are also relatively expensive and suffered larger reductions when aid budgets were reduced.

There are several examples of programmes contributing to the creation of new jobs, especially in labour-intensive industries such as manufacturing, services and agriculture. Our citizen engagement research at an industrial park in Ethiopia demonstrated the potential magnitude of manufacturing jobs, but also the challenges involved in ensuring decent working conditions and sustainable results. In Kenya, our citizen engagement research highlighted improvements in the livelihoods of small traders who use the improved border posts.

Interventions that promote trade and investment can generate both opportunities and risks for local communities. In our case study countries, Ethiopia and Kenya, we found examples of negative effects that were recognised as risks during programme design but were not sufficiently mitigated during implementation. In Ethiopia, these included reports of sexual harassment and gender-based violence suffered by women working in the Hawassa Industrial Park and in the surrounding community (see **Box 10** and **paragraphs 4.50 to 4.51**). The UK had supported measures to reduce risks for workers, including by establishing grievance mechanisms, but was less engaged in identifying and mitigating risks in the wider communities surrounding the industrial parks. In Kenya, the construction of the border post at Busia led to job losses for people working in cargo clearance and forwarding companies, who were laid off as operations moved to other locations.

The COVID-19 pandemic demonstrated the vulnerability of global supply chains to shocks and global crises. The UK showed considerable flexibility in response, and many programmes successfully adapted their activities, helping to provide health support and to keep borders open and trade flowing.

We award a **green-amber** score for effectiveness since, overall, the UK made significant progress in delivering its intended results in the period before the aid budget reductions. However, the effectiveness of UK aid for trade since 2020 is at considerable risk given the budget reductions.

Learning: How has the UK used learning from ongoing aid for trade interventions to evolve its approach to design and delivery?

There are methodological challenges involved in assessing the wider impacts of aid for trade due to the often long, complex and indirect causal pathways between interventions and their intended impacts. Proving contribution of interventions to results further along the results chain (for example, poverty reduction and distributional effects on different groups including the poor) was a challenge for many programmes. We found that the UK and its partners had not done enough to overcome these measurement challenges, including testing assumptions underpinning programmes, and that their efforts had been curtailed further as a result of the aid reductions. There is recognition among some FCDO staff and partners that more should be done to test assumptions and measure the effects (potential and actual) of aid for trade interventions, especially on poverty reduction and the poor.

In addition, we found that learning across the UK government on aid for trade is largely informal, lacking a systematic approach. We found good examples of learning within programmes that led to improvements, but learning between programmes is less common.

Overall, we award an **amber-red** score for learning, reflecting inadequate progress in addressing measurement challenges and the limited learning taking place.

Recommendations

We make five recommendations which are intended to help the UK government build on lessons learned.

Recommendation 1

The UK government should develop and publish a set of detailed guiding principles for aid programmes to ensure that the pursuit of secondary benefits to the UK does not detract from its primary poverty reduction objective.

Recommendation 2

FCDO should increase its focus on the international institutions underpinning the rules-based trading system to improve the alignment of the aid for trade portfolio with the UK's commitment to the rules-based international system.

Recommendation 3

The UK should ensure that future aid for trade programmes are based on clear theories of change linking them to poverty reduction and impacts on the poor, and that the links and assumptions are tested through research, monitoring and evaluation.

Recommendation 4

The UK government should improve coordination and collaboration between programmes that have the potential to complement each other to achieve greater impact and value for money.

Recommendation 5

The UK government should inform its partners in a timely and transparent manner when its budgets increase or reduce significantly, and the pace of change should allow partners sufficient time to adjust.

1. Introduction

1.1 International trade is an important driver of economic growth. Throughout history, economies that trade more have tended to have higher economic growth rates.[1] Developing countries face a range of constraints on their ability to engage in international trade, such as poor infrastructure, high transportation costs and cumbersome border procedures. Addressing these constraints can help boost their international trade. However, the extent to which this contributes to the welfare of the population depends on other factors, such as the availability of quality jobs and the ability of small enterprises to produce goods that are suitable for export.

1.2 Aid for trade is a long-standing area of development cooperation that helps countries expand their trade. According to the World Trade Organisation (WTO), aid for trade is about assisting developing countries to increase exports of goods and services, to integrate into the global economy, and to benefit from liberalised trade and increased market access.[2] At the 2005 WTO ministerial conference, donor countries committed to increasing their support to developing countries to expand trade through aid for trade.[3] Since then, the UK has been a leading provider of aid for trade. This area has gained prominence since the UK's departure from the European Union (EU), as the UK has sought to strengthen trading ties around the world.

1.3 This review assesses how well the UK's aid for trade supports economic growth and poverty reduction. It examines the relevance of the UK's support since 2015, and its effectiveness in tackling the most important constraints on trade and in promoting inclusive economic growth. It also assesses the quality of cooperation across the UK government and with partners; how the portfolio has responded to challenges such as the COVID-19 pandemic and reductions in the UK aid budget; and how well it has monitored results and learned from experience. The main spending departments covered are the former Department for International Development (DFID) and, since 2020, the Foreign, Commonwealth and Development Office (FCDO), as well as the cross-government Prosperity Fund which was closed in 2021.

1.4 The choice of this topic reflects the growing focus on trade in UK development strategies since 2015, and the shift towards using aid to promote 'mutual prosperity'[4] for both developing countries and the UK. This is the first detailed Independent Commission for Aid Impact (ICAI) assessment of UK aid for trade programming since the 2013 review of *DFID's trade development work in southern Africa*,[5] although a 2019 information note provided an account of the pursuit of mutual prosperity within UK aid programming.[6] The 2013 review raised significant concerns about a large aid for trade programme in southern Africa, including mismanagement of funds and an inadequate focus on poverty reduction. The programme was subsequently discontinued. This remains the only review where ICAI has awarded an outright red score.

1.5 The WTO's Aid for Trade Task Force, set up in 2006, broadly defines aid for trade as including all support to the trade-related development priorities of recipient countries. For the purposes of this review, we categorise aid for trade as follows, drawing on WTO and Organisation for Economic Cooperation and Development (OECD) definitions:[7]

1 "Globalisation, trade, and growth", Kreuger, A., in: *Meeting globalisation's challenges: policies to make trade work for all*, Lagarde, C., Catão, L.A.V. and Obstfeld, M. (eds.), Princeton University Press, 2019, link. *Is globalisation reducing absolute poverty?*, Bergh, A. and Nilsson, T., World Development, Vol. 62, 2014, link.

2 *Recommendations of the task force on aid for trade*, World Trade Organisation, July 2006, pp. 1, 9 and 25, link. In the past, the term 'aid for trade' was sometimes used synonymously with 'tied aid', whereby official development assistance is limited to companies in the donor country, but this is not in line with current definitions.

3 *Ministerial declaration*, World Trade Organisation sixth ministerial conference, Hong Kong, December 2005, para. 57, link.

4 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, p. 11, link. Rather than 'mutual prosperity', the UK government now tends to use the terms 'shared interests' or 'mutual interests'. *The UK government's strategy for international development*, Foreign, Commonwealth and Development Office, 2022, link.

5 *DFID's trade development work in southern Africa*, Independent Commission for Aid Impact, December 2013, link.

6 *The use of UK aid to enhance mutual prosperity: information note*, Independent Commission for Aid Impact, October 2019, link.

7 The WTO categorises aid for trade as follows: trade policy and regulations; trade development; trade-related infrastructure; building productive capacity; trade-related adjustment; and other trade-related needs. *Recommendations of the task force on aid for trade*, World Trade Organisation, July 2006, p. 2, link. For statistical purposes, the OECD categorises aid for trade slightly differently: trade policy and regulations (trade policy and administrative management, trade facilitation, regional trade agreements, multilateral trade negotiations and 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, and tourism); and economic infrastructure (transport and storage, communications and energy), link.

- **Trade policy and regulations:** Support to help countries develop and implement trade-related policies, regulations (for example, food standards) and trade agreements (for example, multilateral/WTO, continental and regional agreements).[8]
- **Trade facilitation:** Support to simplify the process of trading across borders (for example, customs procedures) to reduce the time and cost of trading.[9]
- **Building productive capacity:** Support to build the capacity of the private sector to export, either directly or via export supply chains, and to benefit from trading opportunities.
- **Trade-related infrastructure:** Support to develop trade-related infrastructure (such as roads, ports and border posts) to connect domestic markets to regional and international markets.

1.6 Within the UK's portfolio, activities in the latter two categories are often included in wider economic development programmes that are not primarily about promoting trade. To keep the review tightly focused on trade, we opted to limit our scope to programmes that included support for at least one of the first two categories: trade policy and regulations and trade facilitation.[10] Many of these programmes also include activities under the latter two categories, as well as other support not related to trade.[11]

1.7 **Box 1** describes how the review subject links to the Sustainable Development Goals (SDGs). Our review questions are set out in **Table 1**.

Box 1: How this review relates to the Sustainable Development Goals

The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The following goals are related to aid for trade:

1 NO POVERTY

Goal 1: Reduce at least by half the proportion of men, women and children living in poverty by 2030.

8 DECENT WORK AND ECONOMIC GROWTH

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, including through trade.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation. Open markets are a key determinant of trade and investment between developing and developed countries, facilitating the transfer of technologies, knowledge and innovation which contribute to industrialisation and development.

10 REDUCED INEQUALITIES

Goal 10: Ensure enhanced representation and voice for developing countries in decision-making in international institutions to deliver more effective and accountable institutions. This includes special and differential treatment under the WTO which allows more favourable treatment of developing countries, such as more time to implement agreements and measures to increase their trading opportunities.

8 This also includes support to help countries adjust to the costs associated with trade liberalisation, such as loss in government revenue due to tariff reductions. It only accounts for approximately 2% of aid for trade globally and 0.003% of the UK's aid for trade. We do not therefore include this category in the review.

9 Note that the WTO and OECD include trade facilitation under trade policy and regulation, not as a separate category. However, for the purpose of this review, we find it helpful to address each of these separately.

10 Note two exceptions: Ethiopia Investment Advisory Facility does not include support classified under these two categories, but was considered relevant given its objectives on manufacturing export-led growth; Global Challenges Research Fund on trade categorised 100% of support to research without providing details on its thematic focus.

11 For example, TradeMark East Africa Kenya: trade policy and regulations and trade facilitation = 64%; economic infrastructure = 11%; environmental policy = 25%.

17 PARTNERSHIPS FOR THE GOALS

Goal 17: Promote a rules-based, open, non-discriminatory and equitable international trading system under the WTO; increase developing country exports; double the least developed countries' share of global exports; and improve market access for least developed countries.

Table 1: Our review questions

Review criteria and questions	Sub-questions
1. **Relevance:** Does the UK have a clear and coherent approach to aid for trade?	• 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?
2. **Effectiveness:** To what extent has the UK achieved its aid for trade objectives?	• 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?
3. **Learning:** How has the UK used learning from ongoing aid for trade interventions to evolve its approach to design and delivery?	• 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 to adapt and improve design and implementation?

2. Methodology

2.1 The methodology for the review involved seven components (**Figure 1**) to collect and compile evidence against the review questions and ensure sufficient triangulation of evidence to answer these questions.

- **Literature review:** We reviewed published literature on trade and development including aid for trade. We looked at evidence of the main constraints to trade and poverty reduction and 'what works' to reduce the binding constraints to trade and contribute to poverty reduction and inclusion. Our literature review is published separately.[12]
- **Strategic review:** We reviewed the UK's policies, strategies, plans and guidance on aid for trade and how the aid for trade portfolio aligns to UK priorities and evidence from the literature on 'what works'. We consulted with key stakeholders, including UK government staff, aid for trade experts, other development partners, and international and regional organisations.
- **Context analysis:** We analysed aid for trade and macroeconomic data across countries, such as national income and share of global and UK trade (exports and imports).
- **Programme reviews:** We conducted desk reviews of a sample of global, regional and country programmes and conducted interviews with key informants, especially implementing partners. **Section 3** and **Annex 1** provide details of the programmes selected. Our sampling approach is set out in our approach paper.[13]
- **Country case studies:** We conducted two country visits (Ethiopia and Kenya) and one desk review (South Africa). The case studies assessed the aid for trade portfolio in each country through examination of programme documents and monitoring data, and interviews with UK officials, government counterparts, implementing partners, development partners and representatives of the private sector and civil society.
- **Citizen engagement:** In Ethiopia and Kenya, we held consultations with people affected by UK-funded interventions to determine whether these interventions were relevant to their needs and priorities and whether they had experienced positive or negative effects.
- **Academic roundtables:** We held discussions with academics and 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 economic growth and poverty reduction.

2.2 Overall, we interviewed 207 key informants, collected feedback from 120 people affected by UK aid, and received over 1,100 documents. **Figure 2** provides a breakdown of people consulted. **Box 2** notes certain limitations to our methodology.

12 *Aid for trade literature review*, Independent Commission for Aid Impact, 2023, available on the ICAI website.
13 *UK aid for trade: approach paper*, Independent Commission for Aid Impact, October 2022, pp. 7-8, link.

Figure 1: Methodology wheel

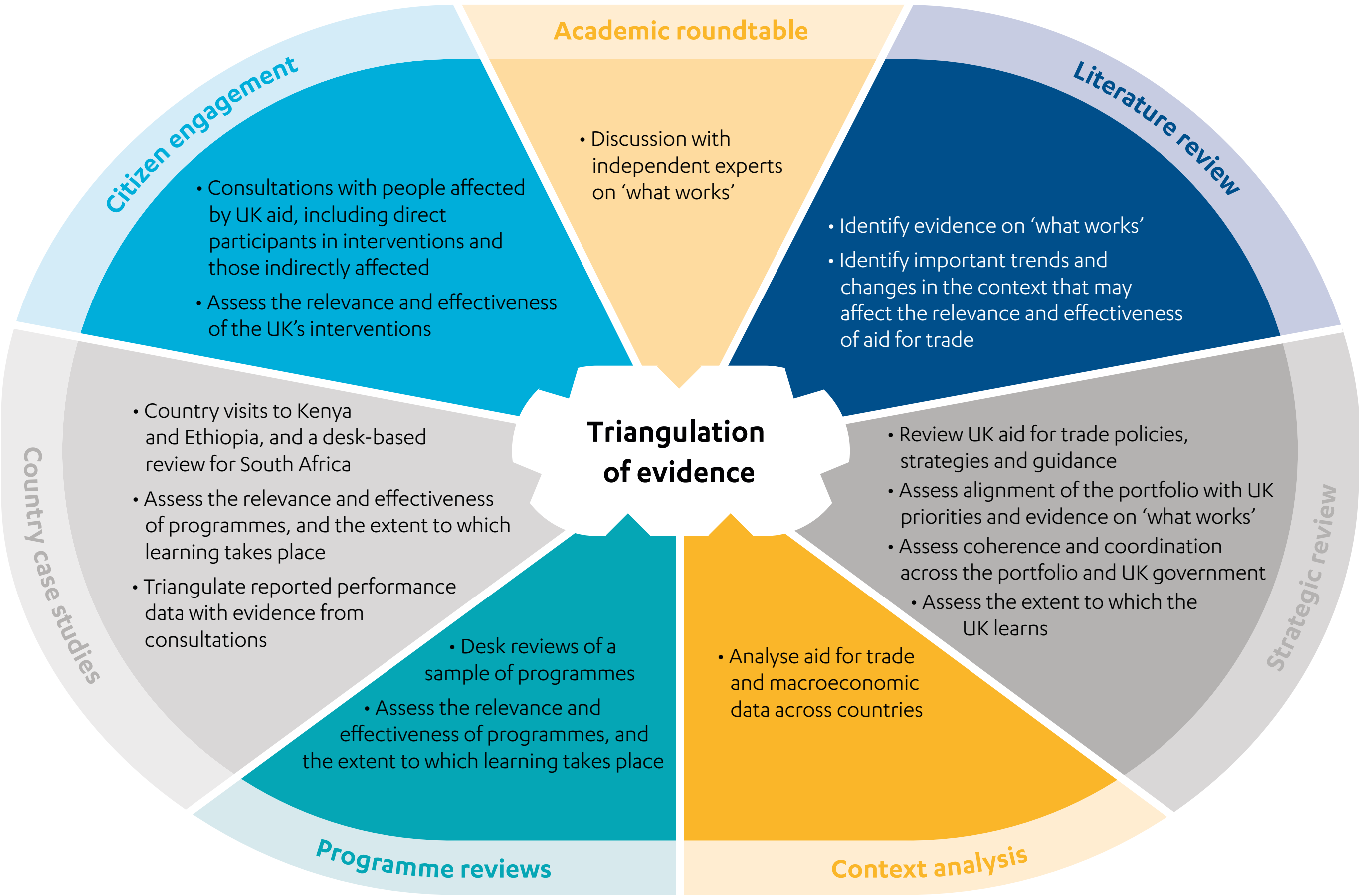
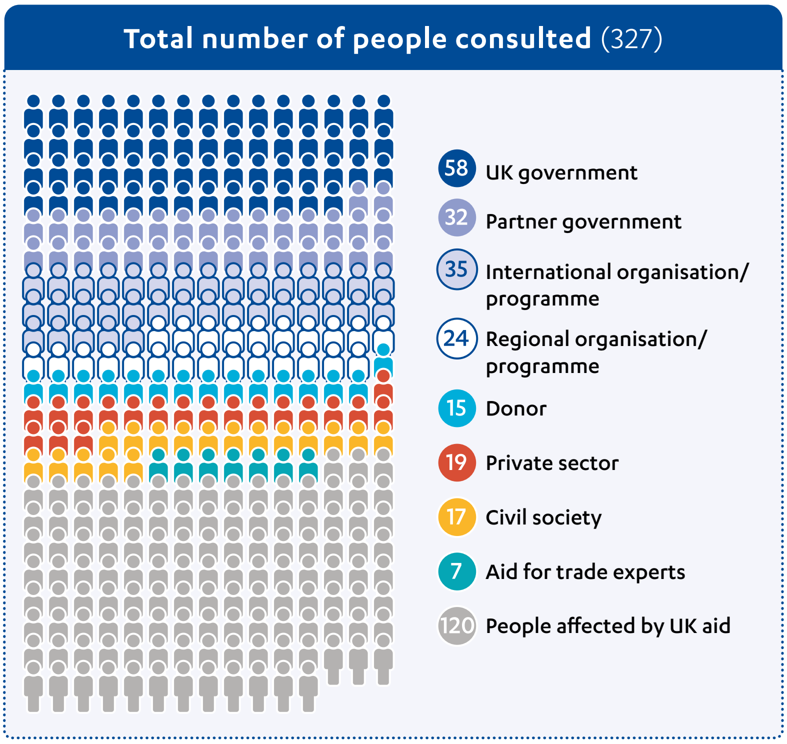


Figure 2: Breakdown of people consulted by category



Box 2: Limitations to our methodology

- **Scope:** Our review covered three country portfolios and a sample of global, regional and country programmes. However, given the diversity of countries where the UK provides aid for trade, the sample was not fully representative of the global portfolio. In particular, for practical reasons, we were unable to include an Asian country case study, even though around 20% of UK aid for trade is spent in Asia (see **paragraph 3.17**).
- **Timing:** The review period was one of substantial change and disruption in the UK aid programme, including the Department for International Development and Foreign and Commonwealth Office merger,[14] the COVID-19 pandemic and successive large-scale reductions to the UK aid budget. Given the time required to assess the results of aid for trade programmes, our conclusions on effectiveness relate primarily to programmes implemented before this disruption and may not, therefore, be representative of the current portfolio.
- **Availability of results data:** Weaknesses in the collection of data on the contribution of programmes to outcome-level results limit our ability to draw firm conclusions on the effectiveness of the aid for trade portfolio. There are also difficulties in comparing and aggregating results across the diverse levels and types of interventions involved in the portfolio.

14 On 2 September 2020, the Department for International Development and Foreign and Commonwealth Office were merged to create the new Foreign, Commonwealth and Development Office. As this review includes programming before 2020, we refer to the former departments where necessary.

3. Background

The role of trade in international development

3.1 Trade is widely recognised as 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 economic growth rates.[15] However, gains from international trade are rarely evenly distributed. Trade can create both winners and losers – for instance, where local firms are unable to cope with increased competition from imports, impacting on jobs and livelihoods. In addition, increased openness to trade may leave the economy as a whole more vulnerable to trade-related price shocks.[16]

3.2 Poorer groups often lack the resources (for example, skills or finance) to benefit from trading opportunities, or face constraints such as remoteness from markets. As a result, efforts to increase trade often need to be accompanied by additional measures to ensure that the poor and marginalised are able to benefit, and to offset any negative impacts on existing jobs and livelihoods. In recent years, there has been increased recognition of the need to consider distributional impacts (that is, who benefits) in the design and implementation of aid for trade programmes.[17]

The global trading environment

3.3 For most of the past half-century, international trade has risen steadily, with most countries moving towards liberal trade policies. This increase in international trade has been a major driver of economic growth and poverty reduction, particularly in China and other Asian countries.

Figure 3: Least developed countries' total exports and share of global exports, 2000-21

3.4 The SDGs included commitments to doubling least developed countries' share of global exports by 2020, and to significantly increasing the exports of all developing countries (see **Box 1**). However, this has been an area of slow progress. Least developed countries' exports have remained at around 1% of the global total over the past ten years (see **Figure 3**), while developing countries' exports have increased only

15 "Globalisation, trade, and growth", Kreuger, A., in: *Meeting globalisation's challenges: policies to make trade work for all*, Lagarde, C., Catão, L.A.V. and Obstfeld, M. (eds.), Princeton University Press, 2019, link. *Is globalisation reducing absolute poverty?*, Bergh, A. and Nilsson, T., World Development, Vol. 62, 2014, link.

16 *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.

17 *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.

marginally, from 38% to 40% of global exports.[18] Much of this trade consists of raw commodities such as oil, minerals and agricultural produce.

3.5 Since 2018, the trend towards increasing global trade has been disrupted by a range of factors, including protectionist policies in many countries, trade tensions between the US and China, the COVID-19 pandemic, the Russian invasion of Ukraine, high energy prices and inflation. The pandemic also demonstrated the vulnerability of global supply chains to shocks and global crises, leading some commentators to predict a period of 'deglobalisation'.[19] This may make it more difficult in the coming period for poor countries to benefit from international trade.

What works in aid for trade?

3.6 There is a significant body of literature assessing the effectiveness of different aid for trade interventions.[20] Overall, it shows that interventions which increase market access and reduce the time and cost of trading, such as trade policy and regulatory reform, trade facilitation and trade-related infrastructure, have the potential to contribute to increased trade and economic growth.[21]

3.7 There is less evidence on 'what works' in promoting inclusive economic growth that benefits poor communities.[22] The extent to which the poor benefit from reductions in the time and cost involved in trading across borders depends on a range of other factors. For example, farmers and small businesses do not usually export their produce directly, but depend on intermediaries to aggregate, process, package and transport their goods. These intermediaries often directly benefit from measures to simplify trading across borders. The extent to which these savings are passed on to producers and consumers depends on whether there is sufficient competition in these intermediary markets, which is often not the case. If smallholder farmers lack the knowledge and bargaining power to demand higher prices for their produce, then the aid for trade intervention may lead to higher profits for intermediaries. Furthermore, poorer areas may lack firms able to produce goods of export quality. For these reasons, the literature concludes that interventions to facilitate cross-border trade are more likely to benefit the poor when part of a broader package of support.[23]

3.8 There can also be negative impacts for the poor from trade reforms. Increasing international trade can lead to job losses if local producers are unable to match the price or quality of imported goods. Workers may need help to move into new sectors or regions, such as training and relocation support. In addition, the emergence of new, export-oriented industries may call for regulatory measures, such as labour standards, to ensure that they create 'decent work'.[24]

UK government policy objectives related to aid for trade

3.9 The UK does not have a specific policy, strategy or plan for aid for trade. However, a range of UK strategies and plans include objectives on aid for trade. During the review period, the most relevant policy and strategy documents for the aid for trade portfolio have been the 2011 *Trade and investment for growth white paper*, the 2015 *UK aid strategy*, the 2017 *Department for International Development*

18 *Least developed countries remain marginalised in global exports*, United Nations Conference on Trade and Development, 2021, link. *International trade in developing economies*, SDG pulse, United Nations Conference on Trade and Development, 2022, link.

19 *Deglobalisation: what you need to know*, World Economic Forum, 2023, link

20 *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. *Aid for trade literature review*, Independent Commission for Aid Impact, 2023, available on the ICAI website.

21 *Aid for trade literature review*, Independent Commission for Aid Impact, 2023, available on the ICAI website.

22 *Aid for trade literature review*, Independent Commission for Aid Impact, 2023, available on the ICAI website. *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.

23 *Aid for trade literature review*, Independent Commission for Aid Impact, 2023, available on the ICAI website. *Evaluating aid for trade: a survey of recent studies*, Cadot, O., Fernandes, A., Gourdon, J., Mattoo, A. and de Melo, J., The World Economy, Vol. 37, Issue 4, 2014, link. *Aid for trade at a glance 2015: reducing trade costs for inclusive, sustainable growth*, World Trade Organisation and Organisation for Economic Cooperation and Development, 2015, 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.

24 According to the International Labour Organisation, decent work involves "opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for all, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men", link.

(DFID) economic development strategy, the cross-government 2021 *Integrated review* and the 2022 *International development strategy*.[25] The UK government's high-level commitments on trade and development are outlined in **Box 3** and summarised below.

3.10 The 2011 *Trade and investment for growth white paper* demonstrated the UK's commitment to using trade to drive economic growth and poverty reduction. The 2015 *UK aid strategy* marked a shift towards using aid in the UK national interest. Alongside the primary objective of promoting economic growth and poverty reduction in developing countries, it emphasised the role of aid in creating trade and investment opportunities for the UK, as a secondary benefit.

3.11 The 2017 *DFID economic development strategy* recognised trade as "an engine for poverty reduction".[26] It aimed to improve coherence between UK development cooperation and trade policy by supporting developing countries to take advantage of UK market access after the vote to leave the EU, and to improve the multilateral trading system for the benefit of developing countries. A 2019 DFID *Sector best buys* document summarised evidence on the effectiveness of different interventions, including aid for trade, which helped inform funding decisions and programme design.[27]

3.12 The 2021 *Integrated review* and the 2022 *International development strategy* both included commitments on helping developing countries to increase their trade, including with the UK, alongside commitments to strengthening the global trading system. The 2022 *International development strategy* emphasised the role of trade in helping countries grow their economies, raise incomes, create jobs and lift people out of poverty. Both documents emphasised the importance of combining aid with trade policy and diplomacy. They outlined a continued commitment to supporting Africa, but with a shift towards countries (namely, Ethiopia, Ghana, Kenya, Nigeria and South Africa) and regions (the Indo-Pacific)[28] with greater potential for increased trade with the UK. The UK remains committed to untying all its aid (that is, refraining from attaching conditions on buying goods or services from the UK), and the 2002 *International Development Act* continues to require that all aid must be "likely to contribute to a reduction in poverty".[29]

3.13 The UK government has a Trade for Development (TFD) unit, jointly staffed by Foreign, Commonwealth and Development Office (FCDO) and the Department for Business and Trade.[30] It brings together trade and development expertise and spends both official development assistance (ODA) and non-ODA resources. Its objectives include promoting a free and fair global trading system and promoting international development and poverty reduction through trade. TFD aims to enhance market access for poor countries and ensure that they can take advantage of this through aid for trade interventions, acknowledging that, for the poorest countries, greater access to global markets is not enough.[31]

Box 3: The UK government's evolving commitments on trade and development

A range of UK government policies and strategies contain commitments that are relevant to the aid for trade portfolio.

The **2011 *Trade and investment for growth white paper*** demonstrated the UK's commitment to using trade to drive growth and poverty reduction and that "ensuring lower income countries are fully integrated into the global economy is central to the government's policy of driving growth and poverty reduction".

25 *Trade and investment for growth*, White paper, Department for Business, Innovation and Skills, 2011, link. *UK aid: tackling global challenges in the national interest*, Department for International Development, 2015, link. *Economic development strategy: prosperity, poverty and meeting global challenges*, Department for International Development, 2017, link. *Global Britain in a competitive age: the integrated review of security, defence, development and foreign policy*, HM government, 2021, link. *The UK government's strategy for international development*, Foreign, Commonwealth and Development Office, 2022, link.

26 *Economic development strategy: prosperity, poverty and meeting global challenges*, Department for International Development, 2017, p. 4, link.

27 *Sector best buys: economic development*, Department for International Development Chief Economist's Office and Research and Evidence Division, January 2019, unpublished.

28 *Global Britain in a competitive age: the integrated review of security, defence, development and foreign policy*, HM government, 2021, link.

29 *International Development Act*, HM government, 2002, p. 1, link.

30 On 7 February 2023, the UK government established one single Department for Business and Trade, merging the Department for International Trade with some of the functions of the Department for Business, Energy and Industrial Strategy, link. As this review includes programming before 2023, we refer to the former departments where necessary.

31 *International Development Committee enquiry briefing - Trade for development input,* Foreign, Commonwealth and Development Office, 31 May 2018, unpublished.

It stated that the “UK is committed to assisting poor countries take advantage of the opportunities in the global trading system” and that “international trade is one of the most important tools in the fight against poverty”.[32]

The **2015 *UK aid strategy*** signalled a move towards using aid in the national interest. A key objective was to promote economic growth and prosperity and “contribute to the reduction of poverty and also strengthen UK trade and investment opportunities around the world”. It stated that “no country can eradicate poverty or graduate from aid without economic growth” and “global growth directly benefits the UK, creating new trade and investment opportunities for UK companies”.[33]

The **2017 *Economic development strategy*** stated that: “DFID’s focus and international leadership on economic development is a vital part of Global Britain – harnessing the potential of new trade relationships, creating jobs and channelling investment to the world’s poorest countries.” It affirmed that the government’s approach to trade would centre on poverty reduction. One of its ambitions was to “build the potential for developing countries to trade more with the UK and the rest of the world and integrate into global value chains”. It included commitments to use the UK’s voice in the World Trade Organisation (WTO) and with the World Bank to encourage others to promote free trade with a strong focus on economic development. It highlighted the importance of working across government to agree trade and investment deals that benefit developing countries, and of opening up the UK market to the world’s poorest countries, “bringing trade opportunities to those that need it most”.[34]

DFID produced a **2019 *Sector best buys*** document that categorised interventions in support of economic development from ‘mega’ to ‘bad’ buys, according to the weight of available evidence on their effectiveness. This document has been an important reference point for the design of aid for trade programmes.[35]

The **2021 *Integrated review*** outlines the government’s overall national security and international policy objectives, including on trade and development. It highlights the importance of openness and free trade for global economic growth and poverty reduction. It includes a commitment to developing “mutual partnerships” for “shared prosperity” between the UK and priority countries, through diplomatic efforts, trade agreements and development cooperation. Its objectives on trade include advancing global trade for the benefit of the UK economy, improving developing countries’ integration into the global economy to create stronger trade and investment partners for the UK in the future, opening up opportunities for UK exporters, and contributing to poverty reduction in developing countries. It pledges “to revitalise free, fair and transparent trade by strengthening the global trading system”, and to reform and strengthen the WTO. It emphasises the UK’s continued aid commitments to Africa, along with a shift towards certain regions and countries (East and West Africa – namely, Ethiopia, Ghana, Kenya and Nigeria – and South Africa), as well as an “Indo-Pacific tilt”.[36]

The **2022 *International development strategy*** states that “trade helps countries to grow their economies, raise incomes, create jobs and lift themselves out of poverty. Trade should be conducted within a system of transparent and predictable international rules.” It reiterates the government’s commitment to using “all our capabilities” – including diplomatic influence, trade policy and development expertise – to build strong country-level and global partnerships that benefit both developing countries and the UK. It commits the UK to supporting countries to “increase their exports, increase trade with the UK, build sustainable and resilient global supply chains that benefit all, and tackle market distorting practices and economic policies. This will help low- and middle-income countries become our trade and investment partners of the future, creating secondary benefits for UK business and consumers.” It states that the UK will use its trade policy, including Economic Partnership Agreements and the Developing Country Trading Scheme, to provide better access to the UK market for developing countries. It also suggests a tighter

32 *Trade and investment for growth*, White paper, Department for Business, Innovation and Skills 2011, pp. 11 and 40, link.
33 *UK aid: tackling global challenges in the national interest*, Department for International Development, 2015, pp. 3 and 17, link.
34 *Economic development strategy: prosperity, poverty and meeting global challenges*, Department for International Development, 2017, pp. 2, 4 and 10, link.
35 *Sector best buys: economic development*, Department for International Development Chief Economist’s Office and Research and Evidence Division, January 2019, unpublished.
36 *Global Britain in a competitive age: the integrated review of security, defence, development and foreign policy*, HM government, pp. 52, 63 and 66, 2021, link.

focus on future trading partners, such as Ethiopia, Ghana, Kenya, Nigeria and South Africa, as well as the Indo-Pacific. It states that the UK will provide aid equivalent to 0.2% of gross national income to least developed countries, while also providing aid to middle-income countries "as necessary".[37]

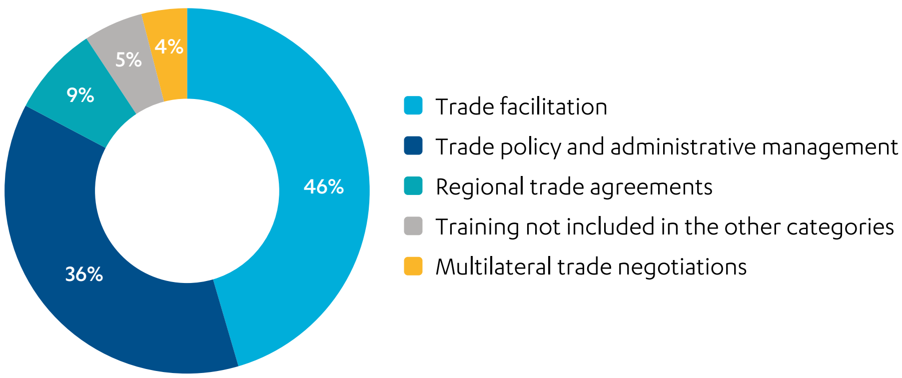
UK programming relating to aid for trade

3.14 UK aid for trade increased over the review period up until 2019, before declining as a result of aid budget reductions between 2020 and 2022. Support for trade policy and regulations (including trade facilitation) increased from an average of £82 million annually in the 2015-17 period to £106 million in the 2018-19 period, an increase of 28%.[38] When building productive capacity and infrastructure is included, the portfolio increased from an average £2 billion to £2.7 billion annually, an increase of 35% over the same period. This trend mirrored the overall increase in the UK aid budget over the period and made the UK the fourth-largest bilateral provider of aid for trade in 2019, after Japan, Germany and France.[39]

3.15 Since 2020, UK support for aid for trade has reduced due to the overall reductions in the UK aid budget. This began with COVID-related reductions in 2020, followed by the lowering of the UK aid spending target from 0.7% to 0.5% of gross national income in 2021, and the demands on the aid budget caused by the increase in support for refugees in 2022.[40] Total UK ODA fell by 25% in 2021 compared to 2019.

3.16 After the budget reductions, support fell by 14% to an average of £90 million in the 2020-21 period for trade policy and regulations (including trade facilitation) and, when including building productive capacity and infrastructure, fell by 27% to an average of £2 billion. The TFD unit experienced a reduction in its budget to £6 million in 2022-23, from £39.5 million in 2019-20. Most programmes in our sample have seen significant budget reductions.

Figure 4: Share of UK government aid for trade spend on trade policy and regulations, 2015-21



3.17 Over the 2015-21 period, UK support for trade policy and regulations (including trade facilitation) amounted to £638.1 million.[41] This support can be broken down as follows:

- **Geography:** African countries received 44% of the funding and Asian countries received 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: trade facilitation (46%), trade policy and administrative agreements (36%), regional trade agreements (9%), training not included in the other categories (5%) and multilateral trade negotiations (4%) (see **Figure 4**).[42]

37 *The UK government's strategy for international development*, Foreign, Commonwealth and Development Office, 2022, pp. 5, 10 and 30, link.
38 The OECD statistics include trade facilitation under trade policy and regulations.
39 OECD aid for trade statistical queries database, link.
40 *UK aid funding for refugees in the UK: a rapid review*, Independent Commission for Aid Impact, March 2023, link.
41 OECD aid for trade statistical queries database, link, and ICAI calculations based on FCDO data.
42 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% as bilateral aid.
- **Spending 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 former Department for International Trade and HM Revenue and Customs (HMRC) managed less than 1% each.

3.18 Other important contextual factors during the review period included the vote to leave the EU and the UK's need to develop its own independent trade policy for the first time in over 40 years, while the COVID-19 pandemic disrupted the implementation of UK aid programmes and trade flows across the world.

3.19 As mentioned, we have limited the scope of our review to programmes with at least one element related to trade policy and regulations and/or trade facilitation (see **Table 2** and **Annex 1**). Details of our sampling approach are in the approach paper.[43] Over the review period, we estimated that spending across the sample was approximately £265 million.[44]

Table 2: Overview of sampled programmes

Name	Brief description	Region
Enhanced Integrated Framework (EIF)	Support to least developed countries to use trade as an engine for development and poverty reduction	Global
Global Challenges Research Fund (GCRF) Trade Hub	Support to research on sustainable trade	Global
Global Trade Programme (GTP)[45]	Support to middle-income countries to reduce barriers to trade, open their markets and increase their capability to trade with the rest of the world including the UK	Global
Growth Gateway (GG)	Support to businesses to increase trade and investment between the UK and developing countries	Global
SheTrades	Support to increase the participation of women-owned businesses in trade	Global
Trade Advocacy Fund (TAF) and Trade and Investment Advocacy Fund (TAF2+)	Support to developing countries to effectively participate in trade negotiations	Global
Support for the implementation of the WTO Trade Facilitation Agreement (SITFA)[46]	Support to help developing countries implement the WTO Trade Facilitation Agreement and reduce the time and cost of trading	Global
Trade Connect (TC)	Support to developing countries to export to the UK and to UK importers to source from developing countries	Global
UK Trade Partnership (UKTP)	Support to trading partners in Africa, the Caribbean and the Pacific to benefit from UK and EU trade agreements	Global

43 *UK aid for trade: approach paper*, Independent Commission for Aid Impact, October 2022, link.
44 Calculated using UK government DevTracker data, link.
45 Including Trade Facilitation Programme in Middle Income Countries (TFMICs).
46 Including Trade Facilitation Support Programme (TFSP); Global Alliance on Trade Facilitation (GATF); Trade Facilitation AgreementFacility (TFAF); Standards Trade and Development Facility (STDF); and Trade Facilitation Programme (TFP).

Name	Brief description	Region
Accelerating Ethiopia's economic transformation (ACCELERATE)	Support to economic transformation through promoting manufacturing and improving the investment climate	Africa
Ethiopia Investment Advisory Facility (EIAF)	Support to outward-oriented, manufacturing-led, sustainable and inclusive economic growth	Africa
FoodTrade East and Southern Africa (FTESA)	Support to stimulate regional food trade to help address shortages and contribute to more jobs and increased smallholder farmer incomes	Africa
Africa Food Trade and Resilience (AFTR)		
Trade Forward Southern Africa (TFSA)	Support to businesses to trade regionally, internationally and with the UK	Africa
TradeMark East Africa (TMEA) Kenya Country Programme	Support to reduce barriers to trade and improving business competitiveness in East Africa	Africa
South Asia Regional Trade and Integration Programme (SARTIP)	Support to expanding markets across South Asia through reducing barriers and improving connectivity	Asia
Asia Regional Trade and Connectivity Programme (ARTCP)		

4. Findings

Relevance: Does the UK have a clear and coherent approach to aid for trade?

UK programmes align broadly with UK and partner country priorities

4.1 The UK's main objectives for its aid for trade programming are to help developing countries to increase their trade, promote economic growth and reduce poverty by improving market access, reducing the time and cost of trading across borders, and building the capacity of firms to export (see **Box 3**). This includes strengthening the international rules-based system (particularly the World Trade Organisation (WTO)) underpinning global trade and economic integration. We find that the portfolio broadly aligns with these objectives.

4.2 In both Ethiopia and Kenya, the programming also reflects government priorities. The Kenyan government has strong ambitions to build the country's productive capacity and take advantage of existing and emerging trade and integration opportunities. During the review period, Kenya has been a champion of regional integration and trade in East Africa and benefited significantly from the region's growing international trade. Ethiopia is one of Africa's poorest countries, but also one of its largest markets. The country has significant potential for economic growth and aims to reach middle-income status by 2025. While it demonstrates the beginning of industrial development, with potential for large-scale job creation and poverty reduction, it has some significant constraints to overcome. Despite its export potential, Ethiopia has been a cautious entrant into the global and regional trade architecture, as demonstrated by its drawn-out negotiations for WTO membership, which began in 2003. It is hoped that the end of the conflict in Tigray[47] and the government's renewed commitment to economic reform will create new momentum.

4.3 In 2013, the UK transitioned from providing aid to South Africa to focus on low-income African countries. However, a new phase of UK aid engagement began in 2016-17. This reflected the importance of South Africa as a trading partner for the UK, after its departure from the EU, and the shift towards using aid to promote mutual prosperity for both the recipient and the UK.

4.4 Many of the UK's aid for trade programmes include capacity-building support for officials in partner governments and other organisations. We find this support to be of continuing relevance, given the persistence of significant capacity gaps across the UK's partner countries, including a lack of skilled staff, limited inter-agency collaboration and inadequate budgets. The UK has appropriately focused its support on lower-capacity environments, such as least developed countries, through programmes such as the Enhanced Integrated Framework and the Trade Advocacy Fund.

The portfolio aligns broadly with available evidence on 'what works'

4.5 The portfolio reflects the available evidence on 'what works' in increasing trade and economic growth. In 2019, the Department for International Development's (DFID) Research and Evidence Division identified 'best buys' across various areas of the aid programme. For economic development programmes, it identified intervention types that the evidence suggests are most likely to be effective and offer value for money, which we refer to collectively as 'best buys'.[48] It also identified 'bad buys' where there is strong evidence that these programmes have not worked in the past or are not cost-effective and 'low evidence' interventions where there is not enough rigorous evidence available to make a judgment. Foreign, Commonwealth and Development Office (FCDO) staff frequently refer to the 'best buys' document on economic development as steering the overall shape of the aid for trade portfolio, along with departmental and country plans.[49] Our literature review broadly confirmed the analysis in the 'best

47 Conflict and insecurity remain widespread near almost all the borders (Eritrea, Kenya, South Sudan, Sudan and Somalia).

48 *Sector best buys: economic development*, Department for International Development Chief Economist's Office and Research and Evidence Division, January 2019, unpublished. The 'best buys' document referred to 'mega', 'great' or 'high potential' buys which we collectively refer to as 'best buys'.

49 *Sector best buys: economic development*, Department for International Development Chief Economist's Office and Research and Evidence Division, January 2019, unpublished.

buys' document of the state of the evidence on 'what works'.[50]

4.6 The aid for trade portfolio broadly aligns with the 'best buys' identified in the document. These include support for trade policy and regulations, trade facilitation and trade-related infrastructure. The literature suggests that interventions in these areas have the potential to address binding constraints on trade across the economy, including by increasing market access and reducing the time and cost of trading. During the review period, the bulk of UK government aid for trade has concentrated on interventions in these areas. We found that approximately 90% of interventions in our sample aligned with the 'best buys'.[51] These intervention areas also reflect the priority given by many developing countries to trade facilitation and the development of transport infrastructure.[52]

The UK is not doing enough to ensure that its aid for trade interventions benefit the poor

4.7 Aid for trade business cases usually state that the programme will contribute to poverty reduction and, in some cases, inclusion, as required by the 2002 *International Development Act*.[53] However, in some cases, programme designs and theories of change rest on the assumption that trade is, on average, likely to contribute to poverty reduction by promoting economic growth. This includes two of the largest UK aid for trade programmes, TradeMark East Africa and the Global Trade Programme. However, not enough attention is given to ensuring that the necessary conditions are in fact in place for this to occur (see **paragraphs 3.2, 3.7 and 3.8**).

4.8 The 'best buys' document and our literature review identified complementary measures that may be required to increase the likelihood that these interventions will translate into real benefits for the poor. These include support to small enterprises and smallholder farmers to build their capacity to produce export-quality goods and measures to increase competition in intermediary markets such as trucking. There may be a need for measures to mitigate negative impacts, such as the retraining of workers whose jobs are threatened by competition from imported goods. Overall, we found that the UK and its partners were not paying adequate attention to whether the necessary conditions were in place and whether complementary measures were needed. In Kenya, for example, key stakeholders highlighted the importance of building the capacity and competitiveness of the private sector (especially small and medium enterprises and smallholder farmers) to export to unlock the potential gains of other trade-related interventions (see **Box 4**).

Box 4: TradeMark East Africa: increasing the capacity of the private sector to trade

A key lesson learned from the evaluation of TradeMark East Africa's first phase (2010-17) is that reducing barriers to trade is not necessarily sufficient to promote trade, economic growth and poverty reduction. Business competitiveness must also be stimulated, especially for small and medium enterprises and smallholder farmers.[54] TradeMark East Africa therefore developed a programme designed to increase the capacity of the private sector to export to complement its work on reducing the barriers to trade, including interventions to support more inclusive trade. However, the UK government decided to allocate most of its funding for TradeMark East Africa to interventions focusing on trade policy and regulations, trade facilitation and trade-related infrastructure.

4.9 Overall, the UK portfolio has a limited focus on building productive capacity for small and medium enterprises and smallholder farmers. The UK has provided some targeted support, including for specific sub-sectors or products where there are pro-poor market opportunities. For example, UK programmes have helped smallholder farmers to form cooperatives, aggregate their produce and improve quality, enabling them to reach the volumes and quality required to sell their produce through export supply

50 *Aid for trade literature review*, Independent Commission for Aid Impact, 2023, available on the ICAI website.
51 ICAI analysis.
52 WTO-OECD aid for trade at a glance surveys (2015 onwards), link.
53 *International Development Act*, HM government, 2002, link.
54 *Monitoring, evaluation and learning strategy*, TradeMark East Africa, 2020. *Independent evaluation of TradeMark East Africa: deliverable 3B performance evaluation*, Culver, K., Cook, A., Spilsbury, J., Akkurt, O. and Rasulova, S., 2019, link.

chains (such as FoodTrade East and Southern Africa and Africa Food Trade and Resilience). However, key stakeholders informed ICAI that these interventions were significantly cut back when aid budgets were reduced (see **Box 5**). Some interviewees mentioned that direct support to small and medium enterprises and smallholder farmers is often relatively expensive, per person reached, compared to other interventions.

Box 5: TradeMark East Africa: impact of UK aid reductions

FCDO's funding of TradeMark East Africa Kenya fell by approximately 50% between 2020 and 2022, with several rounds of budget reductions. Most of FCDO's spending was allocated to finishing infrastructure projects during that period. This was due to penalties associated with cancelling infrastructure contracts, the reputational risks of leaving infrastructure investments unfinished, the risk of not delivering expected benefits of substantial investments already made, and the importance of these types of interventions for FCDO. The most recent reductions in 2022 were made mid-year, after commitments for higher levels of funding had been made and TradeMark East Africa had already contracted work based on the previously committed funds. Funding reductions led to contract revisions, cancellations and TradeMark East Africa staff redundancies. Some of the funds (including other development partner funds) originally allocated to increasing business competitiveness were diverted to infrastructure investments. Also, business competitiveness interventions were at an earlier stage of development and the potential impact on value for money was considered lower compared to curtailing trade-related infrastructure and trade facilitation investments.

4.10 Overall, we find that the UK is not doing enough to ensure that the private sector, especially small and medium enterprises and smallholder farmers, is able to take advantage of improved trading conditions.

The portfolio shows an increased focus on women, but less on other marginalised groups

4.11 Prioritisation of women has increased in aid for trade programmes during the review period. The UK made a commitment at the G7 to supporting women in developing countries to access jobs and build businesses, including through targeted support to the SheTrades programme. Other examples include the Accelerate programme in Ethiopia, which aims to attract foreign direct investment into the manufacturing sector and generate decent jobs and improve working conditions, notably for women working in the textile industry.[55]

4.12 Several development partners and implementing partners praised the UK's role, especially the Trade for Development (TFD) unit, as a 'thought leader' on women and trade. They described the UK's approach as "innovative", and even "transformational", challenging traditional ways of designing and implementing aid for trade programmes. This has included undertaking influential research on women in trade, mainstreaming gender equality in aid for trade programmes, designing programmes that specifically target women (for example, SheTrades and Accelerate) and numerous examples of disaggregating results data by sex (see **paragraph 4.46**). According to several interviewees, the UK was willing to take the risks involved in piloting untested approaches, developing models for other development partners and implementing partners to follow.

4.13 Overall, ministers have prioritised women's economic empowerment. However, the UK decided to provide limited funding to TradeMark East Africa's Women in Trade programme. This was a new programme under TradeMark East Africa's second phase (2017-23) (see **Box 4**). Also, recently, some officials in-country noted a lack of coherence between the priorities set out in the 2022 *International development strategy* and budget allocations from the centre. Despite the importance given to women and girls in policy documents, budget allocations for women's economic empowerment were disproportionately affected during the aid reprioritisation process according to some officials in Kenya.

4.14 While most programmes focus on women, there is less emphasis on the inclusion of other marginalised

55 The Accelerate programme is also known as the Sustainable Industrial Clusters programme.

groups (for example, people living with disabilities and youth), particularly since the aid budget reductions. We found only a few examples of programmes targeting youth, such as the Enhanced Integrated Framework (see **Box 9**), or of efforts to target poorer, more marginalised regions (such as SheTrades). The reductions in support for small and medium enterprises and smallholder farmers has also reduced the focus on inclusion across the portfolio. In addition, our citizen engagement research found inadequate consultation with local communities, including marginalised groups in some instances, limiting the ability to identify and meet their needs (see **Box 6**).

Box 6: Examples of inadequate consultation with local communities

In Kenya, at the TradeMark East Africa-supported one-stop border post at Busia, consultations took place with cross-border traders before construction began, followed by training on how to use the border post. However, informal traders were not included, and the consultations did not extend to neighbouring communities on either side of the Kenya-Uganda border. In Ethiopia, where the UK is working to improve working conditions and attention to environmental and social impacts at the Hawassa Industrial Park,[56] there appears to have been substantial data gathering from workers inside the Hawassa Industrial Park, but minimal consultation of the community beyond the industrial park perimeter.

The creation of FCDO and improved cross-government coordination are opening up possibilities for a more integrated approach to aid for trade

4.15 Several interviewees mentioned that coordination and collaboration across government had improved in-country to the benefit of the aid for trade portfolio. This was the result of both the DFID and Foreign and Commonwealth Office (FCO) merger and a greater emphasis on cross-government working, which facilitates access to a wider range of expertise across departments.[57] In 2018, the Cabinet Office introduced the 'fusion doctrine', which encourages the UK government to make the most of all available 'levers' to deliver shared objectives.[58] Recent programme business cases (such as Trade Connect, Growth Gateway and the Standards Partnership Programme) refer to the doctrine. For example, Growth Gateway aims to "maximise [the UK government's] trade and development offer" by drawing on expertise from several government departments in order to deliver development benefits and secondary benefits to "make the offer greater than the sum of its parts".[59]

> "...deeper integration across government, building on the Fusion Doctrine introduced in the 2018 National Security Capability Review. A more integrated approach supports faster decision-making, more effective policy-making and more coherent implementation by bringing together defence, diplomacy, development, intelligence and security, trade and aspects of domestic policy in pursuit of cross-government, national objectives."
>
> *Integrated review* (2021), p. 19, link.

4.16 According to several interviewees, the DFID/FCO merger has enabled engagement at a higher, more strategic level on aid for trade, combining DFID's understanding of political economy issues with FCO's political and diplomatic access. In Ethiopia and Kenya, cross-government working has enabled access to non-official development assistance (ODA) tools, including economic diplomacy and commercial expertise, to advance trade and development objectives. The merger and the aid budget reductions

56 It is important to note that the UK did not fund the construction of the industrial park.
57 *UK aid: tackling global challenges in the national interest*, Department for International Development, 2015, link. *The UK government's strategy for international development*, Foreign, Commonwealth and Development Office, 2022, link. *Global Britain in a competitive age: the integrated review of security, defence, development and foreign policy*, HM government, 2021, link. *National security capability review*, HM government, 2018, link.
58 *National security capability review*, HM government, 2018, link.
59 *Growth Gateway business case summary sheet*, HM government, 2023, p. 5, link.

have encouraged aid officials to explore how to employ other tools, such as economic diplomacy, to deliver results with less money. In Ethiopia, interviewees informed ICAI that FCDO and the Department for Business and Trade regularly discuss how to advance shared goals and engaged jointly with partners on both development and UK commercial interests. In Kenya, we encountered some differences in view between FCDO and Department for Business and Trade staff on priority sectors, possibly due to differences in departmental mandates and understanding of the Kenyan context.

4.17 We also found examples of FCDO and the Department for Business and Trade working more closely with the UK's development finance institution, British International Investment (BII). Most notably, FCDO's investments (via TradeMark East Africa) in a road to the Berbera port in Somaliland helped encourage BII to take an initial $320 million stake in a company that is developing the port. FCDO Ethiopia and Somaliland have also contributed to political dialogue that will help to unlock the full potential of BII's investments at the port.

4.18 In both Ethiopia and Kenya, some officials described cross-government coordination and collaboration as "work in progress" and suggested that the government was yet to take full advantage of the available opportunities. For instance, they suggested there was scope to draw more on the Department for Business and Trade's expertise and connections to build commercial partnerships between the UK and partner countries that also deliver developmental impacts in-country. There are plans to develop a Trade Centre of Expertise to help UK officials in-country access expertise from across the UK government.[60]

4.19 In addition, we found insufficient coordination and collaboration between programmes that have the potential to complement each other. This includes coordination between centrally managed and bilateral UK aid for trade programmes, between UK aid for trade and wider economic development programmes, and between programmes funded by the UK and by other donors, reducing the potential combined impact of programmes (see also **paragraphs 4.66 and 4.67** on learning). That said, UK aid for trade programmes are generally not designed and implemented to dovetail with each other to create a portfolio that is more than the sum of its parts. Nevertheless, given the aid budget reductions, collaboration between programmes to deliver greater impact is arguably more important now.

The recent increase in the priority given to secondary benefits to the UK poses risks to the quality of programming that are not sufficiently managed

4.20 One of the core objectives of the 2015 *UK aid strategy* was to use UK aid in the national interest, including by strengthening trade and investment opportunities for the UK in developing countries. The strategy announced the creation of the cross-government Prosperity Fund, which aimed to contribute to poverty reduction in middle-income countries while also delivering secondary benefits for the UK. The Prosperity Fund defined secondary benefits as "new economic opportunities for international, including UK, business and mutually beneficial economic relationships".[61]

4.21 Over the 2015-19 period, apart from the Prosperity Fund, we found limited evidence of UK aid for trade programmes being designed to deliver secondary benefits to the UK, or even targeting countries offering greater opportunities for secondary benefits. Many business cases argued that aid for trade interventions would eventually lead to long-term benefits for the UK through increased trade. The references to secondary benefits often appeared to be included to secure approval for programmes, rather than being integral to their design.

60 *The UK government's strategy for international development*, Foreign, Commonwealth and Development Office, 2022, link.
61 *Prosperity fund: secondary benefits guidance note*, HM government, undated and unpublished.

> When we put submissions to ministers, we focus on trade's role in reducing poverty but to get the best chance of success you need to put this in the context of objectives and benefits for the UK.
>
> UK government official

4.22 However, since 2019, there are signs that an increased emphasis on secondary benefits in the design of more recent aid for trade programmes is leading the UK government to focus on more developed enterprises and economies. For example, Growth Gateway and Trade Connect aim to promote trade and investment between developing countries and, primarily, the UK. They were designed in response to the UK's departure from the EU and its commitment to helping developing countries take advantage of new UK trading arrangements. Growth Gateway facilitates connections between enterprises in developing countries and primarily the UK, providing information on opportunities and advice on how to export, rather than directly building the capacity of enterprises to export. According to the literature, these types of programmes usually benefit more established exporters in developing countries and are less effective at enabling non-exporting enterprises to begin exporting.[62] Growth Gateway has identified priority countries and sub-sectors based on analysis of the potential trade with the UK, together with development impact, and is, therefore, working mainly in countries with relatively strong export capacity (for example, Kenya, Nigeria and South Africa) (see **paragraph 4.23**). The programme works mainly with more established enterprises in more developed markets, suggesting a shift away from aid for trade interventions that benefit smaller enterprises and poorer countries. Given that few new programmes have been designed since the UK aid budget reductions began, it is difficult to assess at this stage how pronounced this trend will be.

4.23 Some interviewees confirmed that the emphasis on secondary benefits to the UK has increased since the FCO/DFID merger and in response to the increased prominence given to UK trading interests in government policies and strategies. In the past two years, the UK has shifted its geographical focus within Africa to larger economies, such as Ghana, Kenya, Nigeria and South Africa, where the potential trading opportunities for the UK are stronger. These countries are in the top ten African markets for UK exports and imports, with South Africa ranked first and Nigeria second.[63] While there is poverty in these countries, poverty levels are greater in other countries in sub-Saharan Africa where FCDO, and the former DFID, traditionally provided more support (for example, Malawi, Tanzania and Zambia).

4.24 Many of the UK officials we interviewed took the view that aid programmes could legitimately deliver economic benefits for both the UK and developing countries. This is in line with a similar finding in our earlier information note on mutual prosperity objectives in UK aid programmes.[64] While this may be correct in principle, there is a lack of detailed guidance on how to incorporate secondary benefits without compromising the primary purpose of UK ODA, which is poverty reduction. The Prosperity Fund developed and published guidance on secondary benefits, but this is no longer in use.[65] FCDO staff and FCDO's programming framework specify that secondary benefits should not be considered unless the primary purpose is satisfied, ensuring that programmes are compliant with the 2002 *International Development Act*.[66] However, the framework states that, where two projects are both likely to contribute to poverty reduction, "it is legitimate to choose between them on the grounds of secondary

62 *Aid for trade literature review*, Independent Commission for Aid Impact, 2023, available on the ICAI website.
63 Total exports and imports, 2017-21 average, based on ICAI calculations, link.
64 "Most of the stakeholders we spoke to agreed that there are circumstances in which aid programmes can legitimately deliver mutual economic benefits" in: *The use of UK aid to enhance mutual prosperity: information note*, Independent Commission for Aid Impact, October 2019, p. 3, link.
65 *Prosperity fund: secondary benefits guidance note*, HM government, undated and unpublished. *Secondary benefits approach paper*, Prosperity Fund, January 2018, link.
66 *Programme operating framework: engaging business*, Foreign, Commonwealth and Development Office, 2021. *International Development Act*, HM government, 2002, link.

benefit".[67] As mentioned in our earlier information note, this leaves open the risk that officials will select interventions with relatively lower potential for poverty reduction to secure benefits for the UK, thereby compromising the quality of programming.[68]

4.25 The UK is in the process of considering the case for guidance on secondary benefits. Overall, we found that the UK currently does not have robust enough rules or requirements in place to protect against risks to the quality of UK aid. In the absence of clear guidelines on aid use, beyond compliance with the 2002 *International Development Act*, the ability of FCDO to manage these risks is likely to be overly reliant on senior staff and ministers giving priority to development objectives, as highlighted in an earlier ICAI country portfolio review.[69]

UK aid budget reductions have left the portfolio spread thinly across priorities and countries, and reduced UK support for the international trading system

4.26 During the review period, one of the main objectives of the TFD unit was to support the international trading system and enhance the ability of developing countries to participate, negotiate and take advantage of market access opportunities. During the recent reprioritisation of UK aid, TFD suffered a major reduction to its budget, receiving only £6 million in 2022-23, compared to £39.5 million in 2019-20. The unit sought to retain as many of its active programmes as possible and was, therefore, obliged to cut individual programme budgets dramatically. This has led to a portfolio that is spread thinly across countries, programmes and priorities. At present this does not look like an effective use of resources, although it may make it easier to scale up the portfolio in the future if more funds become available.

4.27 TFD has also significantly reduced its support to institutions and programmes that strengthen the international trading system. It ended its support for WTO and World Bank programmes that support implementation of the WTO Trade Facilitation Agreement (TFA), in favour of channelling resources through UK-based institutions, including HM Revenue and Customs (HMRC) and the British Standards Institution. TFD retained some support to other international partners, such as the International Trade Centre and the World Customs Organisation. This reprioritisation reflects the goal of increased reliance on UK expertise, as set out in the 2021 *Integrated review* and 2022 *International development strategy*. However, it runs counter to the UK government's stated objective of supporting the rules-based international trading system. It also reduces potential economies of scale generated through funding multi-donor initiatives through multilateral partners.

Rapid ODA reductions, and the way these were managed, have had a detrimental impact on the UK's relationships and reputation

4.28 The reprioritisation of aid for trade programming in response to UK aid budget reductions was a top-down process managed at FCDO headquarters. There was limited communication with officials in-country, who were often obliged to notify partners abruptly of substantial reductions in UK support. There has also been a long period of uncertainty over the available resources, making it impossible to engage in forward planning.

4.29 Some of the UK's aid for trade implementing partners have been obliged to postpone or cancel activities and make staff redundant. While they understand that priorities change, they noted that greater transparency and more timely information would have enabled them to manage the changes more effectively. For the majority of those we interviewed, the unpredictability, rather than the reduced funding, was their chief concern.

4.30 As a donor, the UK also had a reputation for providing valuable strategic inputs into programming. For instance, FCDO exercised leadership through its support to macroeconomic reforms in Ethiopia.

67 *Programme operating framework: engaging business*, Foreign, Commonwealth and Development Office, 2021, p. 4. *International Development Act*, HM government, 2002, link.

68 *The use of UK aid to enhance mutual prosperity: information note*, Independent Commission for Aid Impact, October 2019, link.

69 "We observed, however, that managing ODA risks appropriately depends heavily on leadership in the country office, and the technical capacities and views of individuals. In the absence of clear guidance on what the limits are for coordinating aid with non-aid official flows and actions, these risks will remain live – a possibility we have already raised in our information note on the use of UK aid to enhance mutual prosperity". *The changing nature of UK aid in Ghana: country portfolio review*, Independent Commission for Aid Impact, February 2020, p. 32, link.

Alongside its funding, it provided oversight and strategic direction to TradeMark East Africa for more than ten years, which gave other development partners the confidence to fund the programme. However, the effort going into budget reprioritisation over the past two years has limited the ability of UK officials to provide strategic inputs and direction. According to many interviewees, the reduction in strategic inputs and financial resources has led to a decline in UK influence. For multi-donor programmes such as TradeMark East Africa, this also poses risks to other funders who, to some extent, have relied on FCDO's financial and strategic inputs as well as oversight.

4.31 While the Ethiopian and Kenyan governments continued to stress to ICAI the value of their partnership with the UK, there are concerns among UK officials that the UK's influence will quickly diminish if budget reductions continue and new funding does not materialise. We found that some partners believe that their funding is paused, with several government partners expecting resources to return to previous levels. The UK needs to be transparent about its funding intentions, to enable partners to either seek funding elsewhere or adjust their programming.

Conclusions on relevance

4.32 Overall, we find the UK's approach to aid for trade broadly reflects the priorities of partner countries and the evidence on 'what works' in increasing trade and promoting economic growth. However, the portfolio is not paying sufficient attention to ensuring that poorer countries and people benefit. The creation of FCDO and the increased focus on cross-government working have created potential benefits for the portfolio, but also raise risks that the pursuit of secondary benefits to the UK may compromise the quality of programming. The recent aid budget reductions have had detrimental effects on the portfolio and on the UK's influence with partners, while also resulting in a portfolio that is thinly spread across programmes, themes and countries. For these reasons, we award an **amber-red** score for relevance.

Effectiveness: To what extent has the UK achieved its aid for trade objectives?

UK aid for trade has contributed to positive results in both trade negotiations and trade policy and regulatory reforms

4.33 UK support to developing countries to participate in trade negotiations (see **Box 7**) has empowered countries, especially least developed countries, to engage in trade negotiations and achieve favourable results. For instance, the UK has supported Afghanistan, Comoros, Ethiopia, Somalia, Sudan and Uzbekistan in the process of seeking accession to the WTO.[70] Afghanistan acceded to the WTO in 2016 and Uzbekistan reaffirmed its commitment to the accession process in July 2022. In Ethiopia, according to interviews, the accession process has resumed following the signing of the peace accord, although the government has generally been reticent on international and regional trade arrangements over the years.

Box 7: UK support to trade negotiations

The Trade and Investment Advocacy Fund support to help developing countries participate in WTO ministerial conferences and negotiations was praised as one of the most significant achievements, according to FCDO and partner country interviewees. This includes:

- Demand-driven independent legal advice to developing countries provided by the Advisory Centre on WTO Law, including assisting with 70 legal disputes and providing an average of 213 legal opinions per year.
- Paying for travel (for example, airline tickets and accommodation) for developing country delegates to participate in events such as the WTO 12th Ministerial Conference. This was considered immensely valuable by numerous respondents, notably WTO staff and the countries themselves. According to one interviewee, "without this support [and participation] the 12th Ministerial Conference would not have had the same degree of legitimacy".

70 Through assistance provided through the Enhanced Integrated Framework, Trade Advocacy Fund, Trade and Investment Advocacy Fund, WTO Trade Facilitation Agreement Facility, World Bank Trade Facilitation Support Programme and WTO Standards Trade and Development Facility.

- Help for developing countries to define and defend their positions in various country groupings, such as the African, Caribbean and Pacific group, the Least Developed Countries group and the Pacific Island Forum States group.
- Influencing of agreements at the WTO, such as the recent WTO fisheries agreement.

4.34 Several programmes have helped countries review and reform their trade policy and regulations, including standards. For example:

- The Enhanced Integrated Framework supported the formulation and updating of 52 trade and investment policies and the adoption of 59 trade and investment-related regulations across least developed countries.
- The Trade Facilitation Support Programme supported the implementation of 22 trade facilitation measures required by the WTO TFA and supported seven countries to prepare and submit notifications on trade measures to the WTO.[71]
- The Standards Trade and Development Facility supported the harmonisation and adoption of relevant standards, as well as the review of relevant legislation and regulations.[72]
- The Trade Facilitation in Middle-Income Countries[73] programme helped the Nigerian government update the Nigeria Trade Facilitation Roadmap. This is considered an important step in securing high-level political buy-in for trade facilitation reforms and improving border agency coordination.
- The UK Trade Partnerships[74] programme supported the adoption of the National Policy on Quality in Comoros.

UK programmes have helped facilitate and increase cross-border trade

4.35 Interventions to improve efficiency at ports and border posts and automate trading systems have led to significant reductions in time to trade across sampled programmes in Africa and Asia.

- TradeMark East Africa has contributed to significant reductions in transit times along transport corridors and the time cargo or ships spend within the Mombasa port (see **Box 8**).[75]
- The Trade Facilitation in Middle-Income Countries programme contributed to a 43% reduction in import times, to approximately six days in 2020 from nearly 11 days in 2019, in the Philippines. This was achieved by streamlining the procedures required to release goods from ports and the wider use of automated systems for managing imports.
- The Trade Facilitation Support Programme supported various measures in Ethiopia aimed at reducing the bureaucracy and complexity of trade-related processes, including by enabling traders to engage with state agencies electronically. This contributed to a six-day reduction in import times and a five-day reduction in export times since 2016.

Box 8: TradeMark East Africa support to reduce the time to trade in Kenya

Investments at the Mombasa port, one stop border posts and across government agencies have contributed to significant reductions in the time spent moving goods in Kenya and along the transport corridors in the region.

- At Mombasa port, this includes a reduction in the time cargo or ships spend within the port to 87 hours on average in 2022 from 105 hours in 2018.
- At the Moyale one stop border post, border crossing time reduced to 39 hours on average in 2022 from

71 This is a component of the Support for the Implementation of the WTO Trade Facilitation Agreement programme.
72 This is a component of the Support for the Implementation of the WTO Trade Facilitation Agreement programme.
73 The Trade Facilitation in Middle-Income Countries programme was funded by the Global Trade Programme until the latter ended in 2021.
74 The UK Trade Partnerships programme was originally funded by the Global Trade Programme. Once the latter closed, the UK Trade Partnerships programme was funded separately.
75 The 2019 independent evaluation of TradeMark East Africa confirmed its likely contribution.

116 hours in 2017.

- The independent evaluation of TradeMark East Africa found that the programme contributed to improvements in border crossing times at the Busia one stop border post, with a reduction in time of 74% on average from Kenya to Uganda between 2011 and 2017.
- However, at the Malaba one stop border post, border crossing times have increased by nearly 27 hours since 2016 due to increased queueing as a result of insufficient infrastructure, such as limited parking and the lack of a bypass road, to serve the increasing number of containers. This demonstrates the importance of complementary investments to achieve the intended efficiency gains. Busia also faced similar challenges, requiring upgrading of the approach road to the border post.
- At Busia, according to our citizen engagement research, the border post has facilitated cross-border trade, making the process simpler, faster, cheaper and safer for both men and women, according to cross-border traders using the border post. Cross-border traders and truckers reported reduced time and costs, improved relationships with government officials, less harassment, less corruption, increased awareness of taxes and regulations and consumer trust in products traded through formal routes rather than informal routes.
- The Kenya Revenue Authority's integrated customs management system has reduced clearance time from air freight from an average of two days to two to three hours in 2021, with recent data suggesting this has fallen to just a few minutes in 2022. However, not all government agencies are fully integrated into the system, often resorting to paper methods, according to interviews.

4.36 Programmes often struggle to measure the cost reductions of time savings and their contribution to trade volumes and values due to methodological challenges (see the section on learning). However, half of our reviewed programmes were able to demonstrate a contribution to increased trade volumes or values. Effects on trade were more easily traceable for those programmes providing direct support to companies, including actual or potential exporters, since the results chains are shorter and more direct. Examples of increased trade volumes and values include:

- Africa Food Trade and Resilience facilitated the export of 65,000 metric tonnes of produce, moving produce from surplus to deficit areas.
- The Enhanced Integrated Framework reported enabling $676 million in exports from supported companies.
- The UK Trade Partnerships programme recorded annual sales to the UK and the EU from supported companies of over $20.7 million, including over $7.56 million for women-owned businesses.
- The SheTrades programme contributed to £32.4 million in international transactions (exceeding the target of £28 million) by supporting 1,200 women-owned businesses to meet new buyers and investors.
- The Standards Trade and Development Facility contributed to reductions in the rejection of products at the borders. For example, in Burkina Faso, the programme helped eliminate rejections of maize at the border by addressing aflatoxin contamination,[76] leading to zero rejections in 2021 compared to 40 tonnes in 2020.

4.37 TradeMark East Africa's support to improving infrastructure and procedures at the Mombasa port has contributed to increased efficiency and significant increases in trade volumes going through the port, with an average growth rate of 5.7% between 2016 and 2020. Similar increases in trade volumes were witnessed in cross-border and regional grain trade. The Ethiopia Investment Advisory Facility contributed to several improvements in the trading environment, including liberalisation of various sectors and macroeconomic reform. Along with investments in industrial parks and trade corridors, this contributed

76 The high incidence of aflatoxins, cancer-causing substances produced by certain types of mould in maize and other staples, is a huge obstacle to domestic and regional food trade in Africa.

to increases in foreign direct investment in Ethiopia.

4.38 Some aid for trade programmes have estimated the effects of their interventions on trade by using economic models. These offer a simplified representation of the real world, using assumptions about causal effects often drawn from the literature and other existing evidence. They provide some indication of the potential impact of time reductions on costs and trade volumes. For example, a final evaluation of the Enhanced Integrated Framework estimated that a doubling of support was statistically linked to an increase of around 20% in total exports for those Enhanced Integrated Framework countries with generally average and above average export volumes relative to all Enhanced Integrated Framework countries. African countries generally saw relative gains in goods exports, while Asian countries benefited more from services exports.[77]

4.39 There is also evidence of benefits for small businesses trading across borders. Our citizen engagement research at the Busia one stop border post found that there had been benefits to cross-border traders, including time and cost savings that translated into increased profits (see **quotes** below). In addition, traders benefited from the fact that their goods went through quality and safety checks at the border post, which expands the number of buyers willing to purchase their goods.

> "Using the one stop border post is time-saving, it has become easy and made our business easy to operate. Saving time is making money. In short, it is better than 'panya' [informal] routes."
>
> Female formal cross-border trader, Busia, Kenya

> "Improved profits, as there are reduced levies and less expenditure. At least I can save something. In terms of volume, my profits have improved compared to how it was previously."
>
> Female formal cross-border trader, Busia, Kenya

> "There is no bribing like in the panya route, no loss of goods and it is time-saving."
>
> Female formal cross-border trader, Busia, Kenya

> "There are no charges for one sack of goods. Previously, we would make very little or no profit due to extra charges one had to pay along the way. My profit has improved."
>
> Female formal cross-border trader, Busia, Kenya

> "There are agencies at the border that determine the quality and safety of products. The Kenya Bureau of Standards is one. Once I bring my goods and present them for scrutiny, they certify that my goods are of good quality. With this paper, I am able to expand my supply network beyond Busia, as far as Bungoma and Siaya. Most traders prefer to buy from me, in spite of incurring border charges."
>
> Male formal cross-border trader, Busia, Kenya

Direct support for small enterprises and farmers has led to positive results for poor and marginalised groups, including women, although often at a limited scale

4.40 UK support has helped small and medium enterprises and smallholder farmers trade their goods across borders, accessing local, regional and more developed international markets, including through better integration in supply chains. There are several examples of direct support to the private sector generating benefits such as improved market access, increased employment, and improved sales and

77 *Evaluation of the Enhanced Integrated Framework: final evaluation report*, Saana Consulting, 2021, p. 23, link.

revenues. Often increases in incomes and contribution to poverty reduction are assumed as a result of increases in jobs, sales and revenues for small and medium enterprises and smallholder farmers. This is largely due to the difficulties in measuring individual and household incomes (see the section on learning). As discussed in the previous section, these types of programmes suffered larger reductions. According to one UK government official, "there is hope to get back to direct support to businesses, as productive sector programming was quite successful when funds were adequate."

4.41 Such programmes directly benefit the private sector, including small and medium enterprises and smallholder farmers, and generate jobs and increased incomes for the poor. For example:

- Africa Food Trade and Resilience supported over 82,000 smallholder farmers to access better services, new markets and finance to invest in farm improvements; over 267,000 smallholder farmers to access extension services and finance; and over 201,000 smallholder farmers to cope with the effects of climate change.
- The UK Trade Partnerships programme supported over 1,100 small and medium-sized companies to trade.
- SheTrades connected 1,200 women-owned businesses with buyers or investors.

4.42 The Enhanced Integrated Framework honey project provides an example of the benefits to young beekeepers, when linked to the market, and the potential to trade if production scales up sufficiently to meet both domestic and international demand (see **Box 9**).

Box 9: Enhanced Integrated Framework and honey in Ethiopia

The Enhanced Integrated Framework provided a small, pilot investment of $1.5 million to support 1,200 youths (aged 18 to 24 years) to start beekeeping businesses and to establish eight marketplaces in 12 districts, each with an average of 50 to 60 enterprises. More than 30% of the beekeepers are women, when traditionally they were only men. The investment included support to quality control (with samples sent to Germany), packaging and marketing, including an e-commerce platform, improving prospects for export.

In 2022, the project generated total sales of $798,000, with an additional $313,000 in sales from other products (spices, oil crops and vegetables) integrated into the production process. For the moment, all the honey is sold on the domestic market due to high demand, but it demonstrates high export potential. All of the youth surpassed the minimum income poverty level. The project contributed to diversification in both business and consumption, including improved nutrition. According to one interviewee, it is a "great opportunity for youth, as more unemployed youth can start beekeeping in their backyards and this can be mobilised to be sold at home or can be exported. The basic ingredients and (market) channels are all there."

The pilot investment also successfully leveraged additional financing from the Mastercard Foundation, extending to 100,000 youths across 53 districts and setting up 30 more government-established marketplaces.

There are an estimated 2 million beekeepers in Ethiopia, with substantial market opportunities, including for export, and significant production capacity that is currently under-utilised (production is only at 10% of potential capacity, according to official figures). Even with the additional funding leveraged, scaling up and sustaining support nevertheless remains a challenge.

4.43 There are several examples of programmes contributing to increases in jobs (see **Table 3**), especially in labour-intensive industries such as manufacturing (including textiles), services and agriculture.[78]

78 For example, Accelerate, Africa Food Trade and Resilience, Enhanced Integrated Framework, SheTrades and UK Trade Partnerships.

Table 3: Jobs created

Selected programme	Total number of jobs created	Number of jobs created for women	Number of jobs created for men
Enhanced Integrated Framework	48,055	33,467	14,588
UK Trade Partnerships	12,955	7,330	5,625
SheTrades	4,000	2,400	1,600
Accelerate	28,796	25,053	3,743

4.44 The citizen engagement research at the Hawassa Industrial Park (supported through the Accelerate programme) demonstrated both the potential magnitude of job creation in manufacturing and the need to retain jobs (see **Box 10**). The programme also emphasised the importance of creating decent jobs, focusing for example on the absence of harassment or discrimination, and ensuring grievance mechanisms are in place. The workforce faced challenges due to COVID-19 and the withdrawal of preferential access to the US market, demonstrating the potential negative effects of removing trade preferences.[79]

4.45 For programmes that provide direct support to the private sector, including small and medium enterprises and smallholder farmers, experience suggests that it is both challenging and costly to deliver sustainable results at scale. With the declining ODA budget, UK officials now face pressure to find ways of achieving scale with more limited resources. Along with the government's commitments to improve access and use of digital technologies, this has contributed to a move towards identifying digital solutions, such as online training (for example, Trade Forward Southern Africa) and the promotion of trade through digital platforms linking buyers and sellers (for example, Growth Gateway).[80] However, digital solutions are not necessarily as effective as, for example, in-person training, according to feedback from some programmes such as Trade Forward Southern Africa. Moreover, poor and marginalised groups often have less access to digital technologies. Many of the digital interventions are at an early stage of design or implementation, so it is not possible to draw conclusions on effectiveness.

4.46 The majority of programmes conducted research on women in trade and promoted women's participation in training.[81] Several programmes encouraged the mainstreaming of gender into relevant trade policies and supporting women through dedicated programming.[82] Gender targets were surpassed in half of the reviewed programmes, notably ones that actively promoted gender mainstreaming, especially targets related to women's access to training and services. Programmes such as SheTrades managed to successfully connect women-owned businesses to international buyers, generating contracts for women-owned businesses and enabling them to employ more staff, mainly women and often in non-traditional, better paid roles. However, global economic challenges, largely due to the COVID-19 pandemic, supply chain disruptions and the war in Ukraine, have negatively impacted the ability of enterprises to trade.[83]

In our case study countries, programmes delivered indirect benefits, but negative consequences were not sufficiently mitigated

4.47 Interventions that promote trade and investment can generate both opportunities and risks for affected people, including vulnerable groups and local communities. The citizen engagement research explored two case studies, in Ethiopia (Hawassa Industrial Park) and in Kenya (Busia one stop border post). Both

79 African Growth and Opportunities Act (AGOA).
80 Both the 2021 *Integrated review and 2022 International development strategy* include priorities on improved access and use of digital technologies. *The UK government's strategy for international development*, Foreign, Commonwealth and Development Office, 2022, link. *Global Britain in a competitive age: the integrated review of security, defence, development and foreign policy*, HM government, 2021 link.
81 For example, Asia Regional Connectivity and Trade Programme, Enhanced Integrated Framework, SheTrades and TradeMark East Africa.
82 For example, Enhanced Integrated Framework, SheTrades, Trade and Investment Advocacy Fund and TradeMark East Africa.
83 For example, Accelerate, Africa Food Trade and Resilience and SheTrades.

case studies highlight the importance of ensuring that the risks of negative consequences are monitored and mitigated.

4.48 The Hawassa Industrial Park is one of four industrial parks in Ethiopia that are receiving technical support through the Accelerate programme, designed to help them increase exports and employment and improve conditions for workers. As well as improving welfare outcomes, it is hoped that more environmentally and socially sustainable production will help firms in the parks attract international investors and increase their participation in international value chains. While it is positive that the UK is helping to mitigate the harms associated with the promotion of manufacturing exports, the Hawassa experience shows the scale and complexity of the challenges involved.

4.49 According to our citizen engagement research, the Hawassa Industrial Park has brought a range of benefits to the local community, including: the growth of small businesses, such as catering, transportation, shops, coffee houses, hairdressers, roadside fruit and vegetable stalls; more housing construction; and improvements in electrification (see **Box 10**). However, we also found a range of negative impacts, including: overcrowded and expensive rental accommodation; an increase in crime, addiction and prostitution; complaints that local people were only able to access low-level jobs, such as waste removal and cleaning; a rise in inter-group tensions with workers brought in from rural areas; and claims of effluent discharge from the park into the lake nearby (these claims were disputed by the park, which operates a zero liquid waste plant). While the UK programme was working to improve conditions for workers inside the park, these wider problems were felt to be beyond its scope, according to interviewees responsible for the programme. Despite these wider risks being recognised at the design phase, safeguarding within the park remained the programme's primary focus during implementation.

4.50 Our citizen engagement research at Hawassa also encountered multiple accounts of sexual harassment and gender-based violence experienced by workers at the industrial park and women in the surrounding community. Although the complaints were not linked to the UK's programming and none identified specific victims or perpetrators, we passed on the information to FCDO in Addis Ababa, in accordance with the UK's strategy on safeguarding against sexual exploitation, abuse and sexual harassment.[84] FCDO Ethiopia informed ICAI that it has notified FCDO's Safeguarding Investigations Team in London and is working with it to determine the appropriate response.[85] The risks of sexual harassment and gender-based violence, especially outside of the park, were recognised in the programme's business case and gender strategy. The programme has worked with the park's management to introduce various safeguarding measures. These include:

- Working with a major textile brand to develop policies and provide training on sexual harassment.
- Establishing a safe space (the Buna Tetu Café) for workers to network, form solidarity groups and engage with management. The café operates a hotline to report on grievances, including gender-based violence, and offers health and legal counselling to affected workers.
- Providing training and awareness raising on conflict-related sexual violence at the Kombolcha Industrial Park, which was in an area affected by the Tigray conflict.

4.51 We note that some of these activities have been delayed and curtailed as a result of FCDO budget reductions. During our visit to Hawassa, we observed that a grievance mechanism, where complaints of sexual harassment and gender-based violence can be reported, was operational.[86] FCDO also undertook due diligence assessments of its direct implementing partners, to check that they had appropriate safeguarding policies and procedures in place, and all partners are contractually required to report any safeguarding incidents. No such reports of specific incidents have yet been received.

84 This strategy explains what UK government departments that engage in overseas development assistance will do to improve related safeguarding standards (in line with related international standards) internally, in partner organisations, and across the whole international aid sector.

85 FCDO has an established reporting procedure to the Safeguarding Investigations Team, link.

86 The supported industrial parks have also established grievance mechanisms under the responsibility of the Ethiopian Investment Commission as per government requirements. Staff are specifically trained to respond to and follow up on sexual harassment and gender-based violence cases. Criminal cases are brought to the Public Prosecutor's Office.

Box 10: Benefits and risks for Hawassa Industrial Park workers

There were approximately 25,000 workers (80% women) employed at the Hawassa Industrial Park at the end of 2022. This was down from a peak of 38,615 workers due to the effects of COVID-19, the downturn in the global textile market, and the withdrawal of US trade preferences in January 2022 in response to the conflict in Tigray.

The workers receive an average wage of approximately 1,750 Ethiopian Birr per month. When adding incentive pay, bonuses and in-kind benefits offered by firms (usually a maximum of 750 Birr), the workers' wages and benefits are well above the poverty line and competitive with other industrial parks. According to some of the female respondents, working at the industrial park helps them to pay for additional education and is an important first step towards financial and personal autonomy.

> "Women have found economic freedom. They have found work at the park and through establishing small businesses, such as catering and hairdressing, near the park."
>
> Key informant interview, Hawassa, Ethiopia

On the other hand, wages were deemed insufficient by many workers, in part due to the rising cost of living in Hawassa and very high inflation in Ethiopia. Notably, while accommodation for the workers has helped many live independently, it can be expensive, poor-quality and inconveniently located. The high number of workers migrating to the area has increased demand and driven up the cost of housing. The increase in the price of land and rented accommodation is an opportunity for some (landlords and landowners), but problematic for those needing to rent or buy.

> "The labour of women is abused and they are made dependent on meagre salaries. Why is the majority of employees women? It is because men tend to ask for their rights or a better salary. It is usually mentioned in a positive note that women have job opportunities, but in reality, they are made dependent by the park, which keeps them under its rein with a low salary."
>
> Focus group discussion participant, Hawassa, Ethiopia

Poor treatment and abuse of workers was a common concern raised in many of the discussions. This included unfair dismissal, extreme work demands, overcrowded factories, exposure to harmful chemicals at work, sexual harassment and gender-based violence.

> "We talk to some of the sexually harassed women. They tell us that the reason they sometimes get harassed is because they get close to male workers looking for financial security as their salary is meagre."
>
> Key informant interview, Hawassa, Ethiopia

> "They start very early and have to take the bus as early as 5:00am. They finish late in the evening. This has resulted in many cases of sexual harassment, including rape by male workers and individuals from the community. In many cases they are raped by park employees and are not willing to say who has raped them."
>
> Key informant interview, Hawassa, Ethiopia

According to supervisors, there was a mismatch between expectations of agrarian rural women and the demands of industrial, shift-based work. Many workers complained of unfair and abrupt dismissal, especially during the COVID-19 pandemic, when allegedly large numbers of employees were sacked without any compensation.

Some of the citizen engagement respondents suggested that local people are excluded when applying for jobs at the industrial park, while others commented that jobs available to locals are usually low-level jobs.

Two respondents also raised issues of cultural and ethnic discrimination against the Sidama people, the ethnic group traditionally inhabiting the region, and a reluctance to employ people with disabilities.

4.52 In Kenya, citizen engagement feedback on the impact of the Busia one stop border post was mostly negative from the local community and businesses which do not trade across the border. This is in contrast to mostly positive feedback received from cross-border traders. While the previous border employed many people from the local community, the construction of a new border post led to job losses for people working in cargo clearance and forwarding companies, who were laid off as processes were centralised and operations moved to other locations. According to respondents, few jobs were created for locals in the construction or operation of the new border post. Respondents also reported an absence of facilities for mothers with babies and noted that the border post did not meet the needs of people with disabilities and traders who operate on foot or with bicycles and motorbikes. They also reported some remaining corrupt practices, with some officials still demanding bribes.

4.53 Overall, while some attention was given to social and environmental standards, the risks and negative consequences were not sufficiently considered or mitigated for these two interventions. We conclude that UK aid for trade programmes need to invest more in anticipating and managing risks and negative consequences.

The UK gave its partners the flexibility to respond to the COVID-19 pandemic and adapt programming

4.54 COVID-19 directly impacted trade and economic growth across countries and led to many borders closing, affecting the movement of goods and people. Programmes' adaptation to the COVID-19 pandemic was considered a major achievement across the aid for trade portfolio, with programmes given the flexibility to adjust their objectives, activities and targets. According to one FCDO official, "there were massive pressures to show how we were responding to COVID-19". Programmes diverted some resources to address public health concerns and others to keep the borders open and trade flowing, including a substantial increase in the use of digital technology and remote engagement. **Box 11** provides some of the main examples of how UK-funded support adapted, and the results achieved.

Box 11: Adapting programmes in response to the COVID-19 pandemic

Examples of adaptations of programme activities in response to the pandemic include:

- The World Bank undertook research to explore the effects of COVID-19 on trade.
- Several programmes either introduced or expanded work programmes on digital trade and e-commerce, including online market access tools and virtual trade fairs.[87]
- SheTrades garment manufacturers shifted production to personal protective equipment.
- Trade Forward Southern Africa moved its training activities online which helped expand its reach.
- The Trade and Investment Advocacy Fund helped developing country negotiators attend negotiations virtually.
- UK support helped streamline procedures for the movement of personal protective equipment and vaccines.[88] Several interviewees highlighted the speed and effectiveness of these activities, which significantly reduced the time taken to clear equipment and vaccines.
- Both TradeMark East Africa and Africa Food Trade and Resilience provided support to help address non-tariff barriers that emerged as a result of the pandemic. Africa Food Trade and Resilience facilitated the rebuilding of trading relationships between countries and finding alternative transport routes where borders were closed.
- TradeMark East Africa's Safe Trade programme provided personal protective equipment at the borders and supported the development of a mobile application used to share digital COVID-19 test certificates

87 For example, Enhanced Integrated Framework, SheTrades, TradeMark East Africa and UK Trade Partnerships.
88 Trade Facilitation Support Programme, Trade Facilitation in Middle-Income Countries and the HMRC Trade Facilitation Programme.

recognised by all East Africa Community partner states, eliminating the need for multiple testing across borders. It also created safe trade zones providing hygienic and safe trading environments for small-scale cross-border traders in compliance with COVID-19 protocols issued by governments.

- Advocacy by the horticulture sector platform funded by TradeMark East Africa helped keep the industry operating during COVID-19 (for example, Kenya Airways repurposing passenger planes for cargo), although this component was not funded by the UK.

Conclusions on effectiveness

4.55 UK support has contributed to positive results in trade negotiations for developing countries and helped them reform their trade policies and regulations including standards. UK support has delivered significant reductions in the time to trade, although who benefits is less clear (see the sections on relevance and learning). Several programmes reported changes in trade volumes and values as a result of interventions. The UK's support to interventions directly supporting the private sector has contributed to positive results for poor and marginalised groups, although often at a limited scale. In addition, the UK enabled programmes to adapt their interventions in response to the COVID-19 pandemic, helping to keep the borders open and trade flowing in some cases.

4.56 It is positive that the UK is seeking to engage on working conditions and social impacts, but these efforts have been curtailed by budget reductions, and our research suggests that more efforts are needed to mitigate risks and negative consequences.

4.57 Overall, the UK made significant progress in delivering intended benefits in the period before the aid budget reductions. We therefore award a **green-amber** score for effectiveness. However, the effectiveness of UK aid for trade is now at considerable risk due to budget reductions, which have left a portfolio that is more fragmented and less focused on delivering benefits for the poor. In our follow-up review next year, we will examine how well the government has addressed the current weaknesses in the portfolio.

Learning: How has the UK used learning from ongoing aid for trade interventions to evolve its approach to design and delivery?

Aid for trade programmes have made limited effort to track their wider impacts

4.58 All of the programmes reviewed have monitoring systems in place and most partners had received some support from FCDO to improve them. All programmes have theories of change, although the quality varies across programmes. Theories of change and log frames often include outcome and impact indicators related to trade volumes and values, jobs created, economic growth and poverty reduction. However, often the causal pathways to poverty reduction and distributional effects on different groups, including the poor, are not well-articulated in theories of change. The Prosperity Fund and more recent programmes include indicators on UK benefits, for example, growth in trade between partner countries and the UK and jobs created in both partner countries and the UK.[89]

4.59 For some programmes, output targets were often not particularly ambitious or useful to support learning. Reporting against outcomes was often incomplete. Moreover, proving contribution of interventions to results further along the results chain (namely, trade volumes and values, poverty reduction and distributional effects) was a challenge for many programmes, especially those providing support to trade policy and regulations, trade facilitation and trade-related infrastructure.

4.60 Reductions in the time and cost of trading is the main reported result of several trade facilitation and trade-related infrastructure interventions. Implementers often struggle to measure contribution beyond reductions in time. While we found some evidence of reported contributions to trade volumes and values, these often rely on top-down, estimation methods (for example, economic and statistical

89 For example, Global Trade Programme and Growth Gateway.

modelling), with various underlying assumptions (for example, competitive markets). For these types of interventions, there is typically also limited reported evidence of contribution to poverty reduction and livelihoods of the poor. We found limited analysis of the extent to which benefits are passed along the supply chain to, for example, small and medium enterprises and smallholder farmers. Often programmes assume that benefits will be passed on but have not collected and analysed evidence to test whether these assumptions hold.

4.61 Overall, there are systematic challenges in assessing the potential and actual impact of aid for trade interventions on results further along the results chain, including trade volumes and values, poverty reduction and impacts on the poor. This is partly due to the often long, complex and indirect pathways between interventions, outcomes and impacts, and the fact that these expected results are influenced by many other factors beyond the scope of the programmes. Moreover, the time period for many programmes (for example, three to five years) is often not long enough to assess long-term impacts. These challenges are not specific to FCDO and its implementing partners; others face similar challenges. Nevertheless, some programmes were better placed to attempt to address some of these challenges. For example, TradeMark East Africa's longer duration (launched in 2010 and still in operation) and substantial budgets meant that it had the time and resources to attempt more ambitious results measurement approaches (see **Box 12**). It was only midway through its second phase (2017-23) that the programme developed plans to improve its results measurement at the intermediate outcome and outcome level, principally through evaluations. However, these efforts were curtailed by the COVID-19 pandemic and subsequent budget reductions from 2020 onwards. Overall, we found that TradeMark East Africa did not dedicate adequate time and resources to measuring its contribution to results further along the results chain, both before and after budget reductions.

Box 12: TradeMark East Africa monitoring and evaluation

TradeMark East Africa has been in operation over ten years and has a substantial budget (over $1 billion), including other development partners' support. However, there are significant inadequacies in TradeMark East Africa's monitoring and evaluation. Before the budget reductions, insufficient resources were dedicated to monitoring and evaluation. The decreases in ODA have led to reductions in the monitoring and evaluation budget, worsening the situation. Throughout the review period, TradeMark East Africa's evaluation committee and the FCDO annual reviews flagged concerns regarding monitoring and slow progress in attempting to address gaps. The 2020 independent evaluation also highlighted the need to improve indicators, data collection and quality across the board.[90] While TradeMark East Africa's monitoring and reporting on activities and outputs are strong, gaps include lack of baselines, milestones, targets and limited evidence of contribution to intermediate outcomes and outcomes.

To some extent, FCDO's focus on output-level reporting in the FCDO annual review format incentivised TradeMark East Africa to focus more on output and activity reporting, with staff rewarded for achieving annual outputs in their individual performance reviews. At the outcome level, TradeMark East Africa dedicated most of its monitoring efforts to reporting on time reductions. We found limited evidence on how these time savings contribute to results further along the chain (such as trade volumes and values, impacts on poverty reduction and effects on different groups) apart from the findings in the 2020 independent evaluation of the first phase of the programme (2010-17). Overall, TradeMark East Africa has relied on evaluations to collect and analyse results data further along the results chain rather than do its own data collection and analysis.

In addition, while TradeMark East Africa conducted environmental and social impact assessments during the design of some of its interventions (such as infrastructure), we found it does not adequately assess negative effects of interventions on particular groups during implementation.

TradeMark East Africa's theory of change assumes that trade is good for economic growth and, therefore,

90 *Monitoring, evaluation and learning strategy*, TradeMark East Africa, 2020. *Independent evaluation of TradeMark East Africa: deliverable 3B performance evaluation*, Culver, K., Cook, A., Spilsbury, J., Akkurt, O. and Rasulova, S., 2019, link.

poverty reduction, relying on evidence from secondary literature. Similar programmes also make this assumption. TradeMark East Africa created its own model and conducted modelling to assess potential impacts on trade, economic growth and poverty reduction. However, this was critiqued through an independent peer review for not adequately assessing potential poverty impacts, and the model is not currently being used.[91] Both TradeMark East Africa and its partners provided limited evidence of the poverty and distributive effects of interventions, especially for trade policy, trade facilitation and trade-related infrastructure interventions, and limited evidence that they systematically test assumptions underpinning the theory of change.

During the second phase of the programme (2017-23), there were plans to address the lack of outcome data through intermediate outcome evaluations and household surveys, as set out in TradeMark East Africa's monitoring, evaluation and learning strategy which was approved in 2020.[92] However, the strategy was approved just as the budget reductions began which delayed and curtailed implementation of much of the work planned.

4.62 To address the challenges of assessing potential and actual impacts on poverty reduction and the poor, the Trade for Development (TFD) unit developed guidance (between 2014-18).[93] This was also shared with the former Department for Trade and FCO staff involved in ODA. The guidance was originally developed in response to findings in the 2013 ICAI review of TradeMark Southern Africa related to the programme's inadequate attention to assessing potential and actual impacts on poverty reduction and the poor. The ICAI review recommended that: "as a prerequisite of any future trade development programme, DFID should undertake comprehensive analysis of the impact on trade and the poor both at the outset and throughout implementation and build in mitigating action to alleviate any negative effects".[94] According to FCDO's management response to the recommendation, FCDO agreed "we will ensure that any trade programme tracks impacts on poverty and considers the case for mitigating actions".[95] The ICAI follow-up review in 2015 acknowledged the usefulness of the guidance, but raised concerns that it took a narrow view of poverty impact based on the reduction of trade costs. In the follow-up review, ICAI also remained "concerned that there is no mechanism to ensure that the review and guidance produced so far are used in the future.... given the difficulties of ensuring that these guidance materials are applied consistently in the design and implementation of future trade programmes."[96] We found some evidence that TFD staff (for example, the analysis and evidence team) used the guidance. However, over the past two to three years, use of the guidance does not appear to be commonplace, even within TFD. Many staff were unaware of the guidance or could not locate it, reinforcing the concerns raised in the ICAI follow-up review. Furthermore, we found no evidence of any updated and improved version of the guidance.

4.63 In addition to developing the guidance, TFD responded to concerns about the lack of evidence of poverty impacts by developing a portfolio that included both programmes with long and complex results chains to poverty impact (such as trade policy and regulatory reform), and programmes where the impact was more direct and, therefore, easier to measure (such as direct support to help small and medium enterprises to export). However, for the latter types of programmes, the data are often anecdotal and scattered, with programmes usually only providing examples. There is limited systematic collation and aggregation of results across such interventions, partly due to definitional, data quality and comparability issues. These programmes vary substantially in their size, timeline and expected results, so the data are not directly comparable.

4.64 There is recognition among some FCDO staff and others (including some implementing partners,

91 *Review of the impact analytical framework and MACMOD model*, Overseas Development Institute, March 2017.
92 *Monitoring, evaluation and learning strategy*, TradeMark East Africa, 2020.
93 *Assessing the poverty impacts of trade programmes*, Department for International Development, undated and unpublished. *How to analyse the impact of trade policy and interventions*, Department for International Development, undated and unpublished. *Value for money sector guidance for trade programmes: working paper*, Department for International Development, July 2018, unpublished.
94 *DFID's trade development work in southern Africa*, Independent Commission for Aid Impact, December 2013, p. 36, link.
95 *DFID management response to the Independent Commission for Aid Impact recommendations on: DFID's Trade Development Work in Southern Africa*, Department for International Development, 2014, p. 2, link.
96 *Follow-up of ICAI reviews from years 1, 2 and 3*, Independent Commission for Aid Impact, June 2015, p. 65, link.

development partners and academics) that more should be done to test assumptions and measure the effects (potential and actual) of aid for trade interventions. This includes better understanding of how the benefits from interventions are passed on and who benefits (see **paragraphs 3.2, 3.7 and 3.8**). According to one expert, programmes need to "follow the benefit along the chain" and understand that "any restriction in the chain will influence where the benefit lands".

4.65 While FCDO made efforts to address some of these measurement challenges, attention has declined over the past two to three years due, in part, to the ODA reductions, including the effort expended on managing the reprioritisation process. Moreover, the aid reductions have led to substantial reductions in monitoring and evaluation activities, with fewer resources dedicated to generating evidence on 'what works'. According to one FCDO official, implementing partners could do more to identify "where assumptions may break down" and "be honest about it". However, partners need time to collect and analyse evidence and it is "hard to have these conversations" when there are limited resources, but "the pressure should be on FCDO to create that space".

Learning across the UK government on aid for trade is largely informal and ad hoc

4.66 Lesson learning often takes place between colleagues within the TFD unit and other FCDO staff, such as private sector development advisers working on trade and development programmes. It usually takes the form of sharing information, updates, experience and research. TFD staff highlighted examples of lesson learning exercises where programmes had under-performed and lessons were shared across the team.

4.67 However, across FCDO, there are no formal learning mechanisms in place for aid for trade programmes. For the most part, learning takes place in an ad hoc fashion and not systematically, especially between programmes. TFD could play a stronger role and intends to do so through the Trade Centre of Expertise, once this is launched.

While there is learning within programmes, the UK government needs to do more to systematically share learning and put it into practice

4.68 There are several examples of learning within programmes, especially those programmes which had earlier phases and evaluations.[97] Some of the learning was taken forward in the design of subsequent phases. For example:

- Lessons from the FoodTrade East and Southern Africa programme fed into the design of the Africa Food Trade and Resilience programme. Experience implementing the FoodTrade East and Southern Africa programme demonstrated the importance of working through well-connected local institutions to deliver the policy influencing work. It also helped identify where to intervene along the supply chain to deliver the most benefits, and how to best combine interventions at the policy and market levels. The programme also learned lessons on interventions that were less effective.
- TradeMark East Africa has learned numerous lessons but could do more to learn from what has not worked. Examples include the following:

  i. During its first phase, TradeMark East Africa expanded its scope to undertake more trade facilitation interventions, having learned the importance of these types of interventions in unlocking the benefits of existing investments in hard infrastructure.

  ii. TradeMark East Africa learned that trade policy and regulations, trade-related infrastructure and trade facilitation interventions alone are not necessarily sufficient for small and medium enterprises, smallholder farmers and cross-border traders to benefit from trade. As a result, TradeMark East Africa expanded its scope in its second phase, providing more support to help businesses take advantage of trade opportunities and encourage cross-border traders to use the one stop border posts. However, this learning had limited influence on FCDO funding decisions,

97 For example, Africa Food Trade and Resilience, Ethiopia Investment and Advisory Facility, Enhanced Integrated Framework, Trade Advocacy Fund and TradeMark East Africa.

with FCDO continuing to focus principally on trade policy and regulations, infrastructure and trade facilitation interventions.

- Over the years, several evaluations of the Enhanced Integrated Framework have fed into significant organisational reforms.
- The design of the Asia Regional Trade and Connectivity programme was informed by insights from the South Asia Regional Trade and Integration Programme, including the value of working through multilateral organisations, what interventions worked and the need to better address inclusion.

4.69 However, challenges remain in actioning learning commitments, especially from evaluations. Few of the programmes reviewed had effective learning processes in place. Several interviewees mentioned that learning was captured but often remained in reports, especially evaluations, without being implemented. Also, some interviewees questioned the relevance and applicability of learning across a diversity of different types of country contexts and themes, claiming that this contributed to reduced learning between programmes.

Conclusions on learning

4.70 While there are systemic challenges in measuring results further along the results chain and testing assumptions, we found that efforts to address these challenges were lacking and deteriorated further as a result of the aid reductions. Overall, learning across the UK government on aid for trade is largely informal, especially between programmes. Most learning takes place between phases of the same programme, and learning between programmes is less common. For these reasons, we award an **amber-red** score for learning

5. Conclusions and recommendations

Conclusions

5.1 Overall, the UK aid for trade portfolio is helping to reduce constraints on trade for some developing economies, through interventions that are generally evidence-based and aligned with partner country priorities. However, the portfolio focuses primarily on improving the enabling environment for trade, rather than building the productive capacity of the private sector, especially small and medium enterprises and smallholder farmers, to trade. While this is likely to contribute to economic growth, its contribution to the intended goal of reducing poverty is uncertain, depending on a range of assumptions that will not always hold true. Foreign, Commonwealth and Development Office (FCDO) and its partners should pay more attention to the causal chains through which their interventions will benefit target groups, as well as identify any potential negative impacts, and ensure that these are reflected in programme designs and monitoring.

5.2 We find that the selection of partner countries and the design of recent programmes increasingly reflect UK trading interests. While there is scope within the aid for trade portfolio to pursue both development goals and secondary benefits to the UK in complementary ways, there are also risks in this direction of travel for the quality of programming. We find that FCDO does not have strong enough rules or requirements in place to prevent the pursuit of secondary benefits undermining the primary purpose of reducing poverty.

5.3 Improved cross-government coordination and the creation of FCDO have opened up possibilities for a more integrated approach to promoting trade for development objectives in a resource-constrained environment, but the government has only partially taken advantage of available opportunities. The official development assistance (ODA) reductions, and the way they were managed, have had a detrimental impact on the UK's relationships with, and reputation among, partners. We also found insufficient coordination and collaboration between programmes (both UK and non-UK) that have the potential to complement each other, reducing the potential combined impact of programmes.

5.4 Overall, we find the UK has made significant progress against delivering intended results, despite measurement and attribution challenges. The UK's aid for trade support has contributed to positive results in trade negotiations for developing countries and helped some to reform their trade policies and regulations. It has delivered significant reductions in the time required to trade across borders, and several programmes reported changes in trade volumes and values. The UK's support to interventions within the private sector, including small and medium enterprises and smallholder farmers, has contributed to positive results for poor and marginalised groups, although often at a limited scale. In addition, the UK's response to COVID-19, encouraging programmes to adapt their interventions, helped keep borders open and trade flowing.

5.5 However, the positive score on effectiveness largely represents the results of interventions before recent budget reductions. The portfolio after the reductions is likely to be too fragmented to have significant impact. The budget reductions have also reduced the scope of programmes to mitigate risks of harms to workers and communities, especially vulnerable groups. Our citizen engagement research demonstrated the challenges involved in promoting manufacturing opportunities for poor rural migrant workers, including the risk of sexual harassment and gender-based violence experienced by the workforce. These risks, which also extend to the surrounding communities, are not being sufficiently mitigated during programme implementation.

5.6 There are systemic challenges in assessing the impacts of many aid for trade programmes, given the length of time for results to materialise and the long and complex results chains. However, we found that the UK and its partners had not done enough to overcome measurement challenges and that their efforts had been curtailed further as a result of the aid reductions.

5.7 Overall, learning across the UK government on aid for trade is largely informal and ad hoc, with no systematic processes in place to ensure learning takes place. We found good examples of learning within programmes that led to improvements, but learning between programmes is less common.

Recommendations

Recommendation 1: The UK government should develop and publish a set of detailed guiding principles for aid programmes to ensure that the pursuit of secondary benefits to the UK does not detract from its primary poverty reduction objective.

Problem statements:

- The recent shift in UK government support away from poorer countries (especially least developed countries) towards countries where UK interests and potential benefits are greater may compromise the UK government's objective to reduce poverty.
- There is a risk that the increased attention to UK interests in the design of recent programmes may undermine the UK government's objective to reduce poverty, given that no detailed guidance is yet in place.

Recommendation 2: FCDO should increase its focus on the international institutions underpinning the rules-based trading system to improve the alignment of the aid for trade portfolio with the UK's commitment to the rules-based international system.

Problem statements:

- Recently, the UK has moved away from funding some of the key organisations that underpin the international trade architecture which supports the rules-based system governing trade, potentially undermining the UK's own policy objectives and commitments.
- By increasingly working alone, the UK will no longer benefit from the economies of scale generated by working together on joint aid for trade programmes that are also funded by other donors.

Recommendation 3: The UK should ensure that future aid for trade programmes are based on clear theories of change linking them to poverty reduction and impacts on the poor, and that the links and assumptions are tested through research, monitoring and evaluation.

Problem statements:

- The UK is giving insufficient attention to assessing whether the benefits of trade policy and regulations, trade facilitation and trade-related infrastructure programmes are likely to spread more widely, including to the poor.
- The UK government and its partners are not doing enough to measure and assess the impacts of its programmes on poverty reduction and the poor and testing whether necessary assumptions hold.
- The efforts by the UK government to mitigate risks to vulnerable groups and communities during programme implementation are often lacking.

Recommendation 4: The UK government should improve coordination and collaboration between programmes that have the potential to complement each other to achieve greater impact and value for money.

Problem statements:

- There is a lack of systematic coordination and collaboration between programmes that have the potential to complement each other, including between centrally managed and bilateral UK aid for trade programmes, between UK aid for trade and wider economic development programmes, and between UK and other donor programmes.

- Reductions in the UK's aid budget have reduced the potential impact of individual programmes and led to a portfolio that is more fragmented.
- There is more scope for officials across government to work together to identify trading opportunities for developing countries.

Recommendation 5: The UK government should inform its partners in a timely and transparent manner when its budgets increase or reduce significantly, and the pace of change should allow partners sufficient time to adjust.

Problem statements:

- The UK's management of the budget reductions has damaged its previously strong reputation as a trusted, reliable, transparent and predictable partner on aid for trade and ODA in general.
- Decisions to reduce budgets abruptly led implementing partners to cancel contracts, in some cases incurring penalties and leading to staff redundancies.
- Implementing partners complained of a lack of transparency from the UK government about funding intentions, affecting their ability to plan.

Annex 1: Sampled programmes for the review

	Name	Brief description	Region	Budget	Years	Department	Review component
Global							
1	Enhanced Integrated Framework (EIF)	Support to least developed countries to use trade as an engine for development and poverty reduction	Global	£31 million	2008 to 2023	Trade for Development, FCDO	• Strategic review • Programme review • Ethiopia case study
2	Global Challenges Research Fund (GCRF) Trade Hub	Support to research on sustainable trade	Global	£18 million	2019 to 2023	Department for Business and Trade	• Strategic review • Programme review
3	Global Trade Programme (GTP) including:	Support to middle-income countries to reduce barriers to trade, open their markets and increase their capability to trade with the rest of the world including the UK	Global	£150 million	2017 to 2021	Trade for Development, FCDO	• Strategic review • Programme review • South Africa case study
	• World Bank and World Customs Organisation, Trade Facilitation in Middle-Income Countries (TFMICs)		Global	£25 million	2017 to 2021	Trade for Development, FCDO	• Strategic review • Programme review • South Africa case study
4	Growth Gateway (GG)	Support to businesses to increase trade and investment between the UK and developing countries	Global	£50 million	2019 to 2025	British Investment Partnerships	• Strategic review • Programme review • Kenya case study

	Name	Brief description	Region	Budget	Years	Department	Review component
5	SheTrades	Support to increase participation of women-owned businesses in trade	Global	£12 million	2018 to 2023	Trade for Development, FCDO	• Strategic review • Programme review • Kenya case study • Citizen engagement
6	Trade Advocacy Fund (TAF) and Trade and Investment Advocacy Fund (TAF2+)	Support to developing countries to effectively participate in trade negotiations	Global	£31 million	2011 to 2023	Trade for Development, FCDO	• Strategic review • Programme review • Ethiopia case study
7	Support for the Implementation of the WTO Trade Facilitation Agreement (SITFA), including:	Support to help developing countries implement the WTO Trade Facilitation Agreement and reduce the time and cost of trading	Global	£15 million	2015 to 2022	Trade for Development, FCDO	• Strategic review • Programme review • Ethiopia case study
	• World Bank Trade Facilitation Support Programme (TFSP)		Global	£4 million	2015 to 2021	Trade for Development, FCDO	• Strategic review • Programme review • Ethiopia case study
	• World Economic Forum (WEF) Global Alliance on Trade Facilitation (GATF)		Global	£1.5 million	2015 to 2021	Trade for Development, FCDO	• Strategic review • Programme review
	• WTO Trade Facilitation Agreement Facility (TFAF)		Global	£0.5 million	2015 to 2021	Trade for Development, FCDO	• Strategic review • Programme review

	Name	Brief description	Region	Budget	Years	Department	Review component
	• WTO Standards Trade and Development Facility (STDF)		Global	£2.5 million	2015 to 2021	Trade for Development, FCDO	• Strategic review • Programme review • Ethiopia case study
	• HMRC Trade Facilitation Programme (TFP)		Global	£3 million	2015 to 2022	Trade for Development, FCDO	• Strategic review • Programme review
8	Trade Connect (TC)	Support to developing countries to export to the UK and to UK importers to source from developing countries	Global	£20 million	2020 to 2026	Trade for Development, FCDO	• Strategic review • Programme review • Kenya case study
9	UK Trade Partnerships (UKTP)	Support to trading partners in Africa, the Caribbean and the Pacific to benefit from UK and EU trade agreements	Global	£19 million	2019 to 2023	Trade for Development, FCDO	• Strategic review • Programme review
Regional/country							
10	Accelerating Ethiopia's economic transformation (ACCELERATE)	Support to economic transformation through promoting manufacturing and improving the investment climate	Africa	£8.5 million	2020 to 2025	FCDO Ethiopia	• Ethiopia case study • Citizen engagement
11	Ethiopia Investment Advisory Facility (EIAF)	Support to outward-oriented, manufacturing-led, sustainable and inclusive economic growth	Africa	£91 million	2015 to 2028	FCDO Ethiopia	Ethiopia case study

	Name	Brief description	Region	Budget	Years	Department	Review component
12	FoodTrade East and Southern Africa (FTESA)	Support to stimulate regional food trade to help address shortages and contribute to more jobs and increased smallholder farmer incomes	Africa	£38 million	2016 to 2019	Africa Economic Department, FCDO	• Strategic review • Programme review • Kenya case study
	Africa Food Trade and Resilience (AFTR)*			£33 million	2018 to 2023		
13	Trade Forward Southern Africa (TFSA)	Support to businesses to trade regionally, internationally and with the UK	Africa	£7.8 million	2021 to 2024	FCDO South Africa	South Africa case study
14	TradeMark East Africa (TMEA) Kenya Country Programme	Support to reducing barriers to trade and improving business competitiveness in East Africa	Africa	£142 million	2013 to 2023	FCDO Kenya and Africa Economic Development, FCDO	• Strategic review • Programme review • Kenya case study • Citizen engagement
15	South Asia Regional Trade and Integration Programme (SARTIP)	Support to expanding markets across South Asia through reducing barriers and improving connectivity	Asia	£26.6 million	2012 to 2018	Asia Department, FCDO	• Strategic review • Programme review
	Asia Regional Trade and Connectivity Programme (ARTCP)**			£38.5 million	2018 to 2024		

*AFTR is the successor programme to FTESA
**ARTCP is the successor programme to SARTIP

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