

# Aid for Trade: Reviewing EC and DFID Monitoring and Evaluation Practices

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## Contents

Executive Summary.....	v
1. INTRODUCTION.....	1
2. BACKGROUND ON AID FOR TRADE .....	1
2.1 What is Aid for Trade .....	1
2.1.1 Aid for Trade flows .....	2
2.1.2 EC and DFID Aid for Trade funding .....	4
2.1.3 The linkages between trade, growth and poverty .....	4
2.1.4 How can Aid for Trade contribute to trade, growth and poverty.....	5
2.2 Monitoring and evaluation of Aid for Trade .....	6
2.2.1 Global monitoring frameworks .....	6
2.2.2 Measuring the poverty impact of Aid for Trade.....	7
2.3 DFID.....	9
2.3.1 Aid for Trade policy and programmatic frameworks .....	9
2.3.2 Monitoring and evaluation of Aid for Trade.....	11
2.4 European Commission.....	13
2.4.1 Framework for EC development cooperation .....	13
2.4.2 Aid for Trade policy and programmatic frameworks .....	14
2.4.3 Monitoring and evaluation of Aid for Trade.....	15
3. METHODOLOGY AND ANALYSIS.....	17
3.1 Introduction .....	17
3.1.1 Hypothesis .....	18
3.1.2 How are we testing the hypothesis? .....	18
3.2 Limitations .....	19
3.3 Examples of Aid for Trade M&E practices .....	20
3.3.1 Projects and programmes.....	20
3.3.2 Policy, strategy and thematic.....	22
3.4 Aid for Trade Global Review: case stories of poverty impact.....	22
4. KEY FINDINGS .....	24
5. KEY RECOMMENDATIONS.....	25
Annex 1: List of people consulted.....	27
Annex 2: Documents and information sources.....	28
Annex 3: DFID and EC projects and programmes and data availability.....	31
Annex 4: Aid for Trade – Bangladesh and India.....	33
Annex 5: Project and programme analysis.....	34

## Aid for Trade: Reviewing EC and DFID Monitoring and Evaluation Practices

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## List of boxes, tables and figure

Box 1: Aid for Trade categories .....	2
Box 2: Assessing the potential impact on poor and excluded groups and/or poverty .....	5
Box 3: Meta-evaluation of Aid for Trade programmes .....	8
Box 4: Africa Free Trade Initiative .....	10
Box 5: Donor Committee for Enterprise Development approach to M&E .....	12
Box 6: Selection criteria .....	19
Box 7: Synthesis study of DFID's strategic evaluations .....	21
Box 8: Findings of the evaluation of EU's trade-related assistance 1996-2000 .....	22
Box 9: Poverty impact of EU Aid for Trade interventions: Rwanda .....	23
Box 10: Poverty impact of EU Aid for Trade interventions: Vietnam .....	23
Box 11: Poverty impact of DFID Aid for Trade interventions: Southern Africa .....	24
Table 1: DFID quality assurance cycle .....	11
Table 2: EU quality assurance cycle .....	15
Figure 1: Aid for Trade across intervention areas .....	3
Figure 2: Geographical allocation of Aid for Trade .....	3

## List of Acronyms

ACP	Africa, Caribbean and the Pacific
AF	(EC) Action Fiche
AfT	Aid for Trade
AFTi	Africa Free Trade initiative
AR	(DFID) Annual Review
BEST	Bangladesh Better Work and Standards Programme
BC	(DFID) Business Case
BCS	(EC) Background Conclusion Sheet
BIS	(UK) Department for Business Innovation and Skills
CRS	(OECD) Creditor Reporting System
DAC	(OECD) Development Assistance Committee
DCED	Donor Committee for Enterprise Development
DCI	(EU) Development Cooperation Instrument
DG DEVCO	(EuropeAid) Directorate-General Development and Co-operation
DFID	(UK) Department for International Development
EC	European Commission
ECHO	Directorate-General for Humanitarian Aid and Civil Protection
EDF	European Development Fund
EEAS	European External Action Service
EU	European Union
HQ	Headquarters
ICAI	Independent Commission for Aid Impact
LDC	Least Developed Country
MTR	Mid-term Review
M&E	Monitoring and Evaluation

M4P	Making Markets Work for the Poor
MR	(EC) Monitoring Report
NIP	(EC) National Indicative Programme
OECD	Organisation for Economic Cooperation and Development
ODA	Official Development Assistance
OP	(DFID) Operational Plan
PCR	(DFID) Project Completion Report
QAU	Quality Assurance Unit
QSG	Quality Support Group
RIP	(EC) Regional Indicative Programme
ROM	(EC) Results Oriented Monitoring
SMART	Specific, Measurable, Achievable, Relevant, Time-bound
SMEs	Small and Medium Enterprises
TPU	(DFID) Trade Policy Unit
TRA	Trade-related Assistance
UNIDO	United Nations Industrial Development Organization
WTO	World Trade Organisation

## EXECUTIVE SUMMARY

This paper explores how Aid for Trade (AfT) projects and programmes are currently evaluated, focusing particularly on the assessment of the impact on poverty and/or poor and excluded groups. This paper looks at the practices of the UK Department for International Development (DFID) and the European Commission (EC). It assesses overall M&E frameworks as well as monitoring reports and evaluations where these exist. The paper also presents background on AfT, and sets out some global, regional and national data and trends.

The work has been undertaken by Saana Consulting, commissioned by Traidcraft Exchange, to inform their advocacy and campaign strategy in relation to AfT. The target audience is the Traidcraft Exchange Policy Unit and Traidcraft Board, targeted NGOs active in this policy space, and UK and EU policy makers (both politicians and civil servants).

We present a summary of key findings and recommendations below.

### *Key findings*

There are a number of key findings from our analysis that we summarise below:

- There is very little publicly available information on whether AfT projects and programmes are impacting on poverty.
- There is typically a gap between strategic ambitions and statements on poverty reduction and the actual project and programme design, implementation and M&E.
- Generally, poverty reduction is measured only at the goal level (macro-level). At this level, attribution to the project activities is extremely challenging and, as a result, is typically not assessed.
- In many cases, AfT projects and programmes focus on institutional strengthening and improving policy making (or negotiation) processes, with only long-term indirect impacts on poverty. In these cases, the effects on poverty reduction and/or poor and excluded groups are typically not assessed. By and large, causal linkages between what a project delivers and the impact on poverty is based on a series of assumptions (and, in some cases, a leap of logic) unless the poor are direct beneficiaries of the project/programme.
- According to the last OECD-WTO Global Review, attributing trade outcomes and impacts to AfT programmes and projects presents one of the biggest challenge for donors.
- Most reviews are done within the lifetime (or at the end) of a project/programme and insufficient time has elapsed for the impact on the poor to be felt.
- At present, DFID is not required to undertake project and programme evaluations.
- Both DFID and the EC are moving away from using the term AfT, with DFID more inclined to refer to trade policy, facilitation, regional integration, infrastructure, etc. whilst the EC is reverting to terms such as trade-related assistance and private sector development.

## Key recommendations

Drawing on the analysis in the paper, including our key findings, we have provided a number of recommendations for DFID and the EC, as well as relevant NGOs:

- Conduct more rigorous impact assessments, ex post and ex ante, to better understand the effects of projects and programmes (past, existing and potential) on poverty impacts, as well as trade outcomes.
- Greater accountability by donors is required through conducting and publishing robust evaluations. Donors should be required to undertake regular evaluations, that go beyond reporting monitoring information only, and which are independent.
- Donors should provide greater transparency of monitoring information and better quality data in order that more and better quality independent research can be conducted, as well as impact assessments and evaluations (ex ante and ex post).
- Donors should develop more realistic assumptions, theories of change and intervention logics behind their projects and programmes.
- Increase the direct targeting of AfT projects and programmes to the poor as direct beneficiaries.

NGOs and others can help achieve the above by:

- Lobbying for greater transparency (e.g. on data) and accountability (e.g. on results)
- Undertaking more in-depth research to strengthen the evidence base of the impact of AfT on poverty reduction and better inform advocacy efforts on AfT
- Developing a network of key allies, including influencers, on AfT

## 1. INTRODUCTION

This paper explores how Aid for Trade (AfT) projects and programmes are currently evaluated, focusing particularly on the assessment of the impact on poverty and/or poor and excluded groups. This paper looks at the practices of the UK Department for International Development (DFID) and the European Commission (EC). It assesses overall M&E frameworks as well as monitoring reports and evaluations where these exist. In terms of definitions and data categorisation, support related to trade, private sector development and infrastructure typically fall under the definition AfT.

The work has been undertaken by Saana Consulting, commissioned by Traidcraft Exchange, to inform their advocacy and campaign strategy in relation to AfT. The target audience is the Traidcraft Exchange Policy Unit and Traidcraft Board, targeted NGOs active in this policy space, and UK and EU policy makers (both politicians and civil servants).

In accordance with the terms of reference and technical proposal, we have selected a number of EC and DFID AfT projects and programmes, primarily from India and Bangladesh. Looking at the project and programme documentation, we explore a range of issues including:

- How the poverty impact is measured or assessed
- If, and how, evaluations address issues of power in supply chains
- Whether evaluations examine the effect on different sizes of enterprise (especially SMEs and the informal sector)
- Whether evaluations differentiate between different groups including men and women
- Whether evaluations examine the impact on losers (as well as winners)

In the next section we provide a brief background on AfT, including its definition and its origins, as well as some global, regional and national data and trends. We explore the relationship between AfT, trade, growth and poverty. We also explore how DFID and EC undertake M&E of AfT. In section 3, a number of case studies are considered, focusing on how AfT projects and programmes are currently evaluated, and looking particularly at the assessment of the impact on poverty and/or poor and excluded groups. Section 4 presents key findings and section 5 provides recommendations.

## 2. BACKGROUND ON AID FOR TRADE

### 2.1 What is Aid for Trade

The AfT initiative has its origins in the World Trade Organisation (WTO) negotiations and fears over adjustment costs (particularly from preference erosion associated with multilateral trade liberalisation). AfT is seen as important to assist developing countries to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO agreements, and more broadly expand trade. The initiative gained prominence during the WTO Ministerial meeting in Hong Kong in December 2005, which also established an 'AfT Task Force'. The Task Force provided recommendations on how to put the initiative in to operation and provided recommendations on the mandate, rationale, objectives, scope and challenges of AfT. The six main categories identified as AfT are outlined in box 1 below.

**Box 1: Aid for Trade categories**

- **Trade policy and regulations** including training of trade officials; analysis of proposals and positions and their impact; support for national stakeholders to articulate commercial interest and identify trade-offs; dispute issues; institutional and technical support to facilitate implementation of trade agreements; and support to adapt to, and comply with, rules and standards
- **Trade development** including investment promotion; analysis and institutional support for trade in services; business support services and institutions; public-private sector networking; e-commerce; trade finance; trade promotion; and, market analysis and development
- **Trade-related infrastructure** including physical infrastructure
- **Building productive capacity**
- **Trade-related adjustment** including supporting developing countries to put in place accompanying measures that assist them to benefit from liberalised trade
- **Other trade-related needs**

Source: Turner, L. 2008

Currently both DFID and the EC have AFT strategies in place, although it seems that the term ‘Aid for Trade’ has lost some of its importance since the launch of the initiative in 2005. Both DFID and EC appear to prefer referring to the sub-components of AFT – such as trade-related assistance or support, trade facilitation, infrastructure, private sector development, etc. – rather than using the collective term AFT.

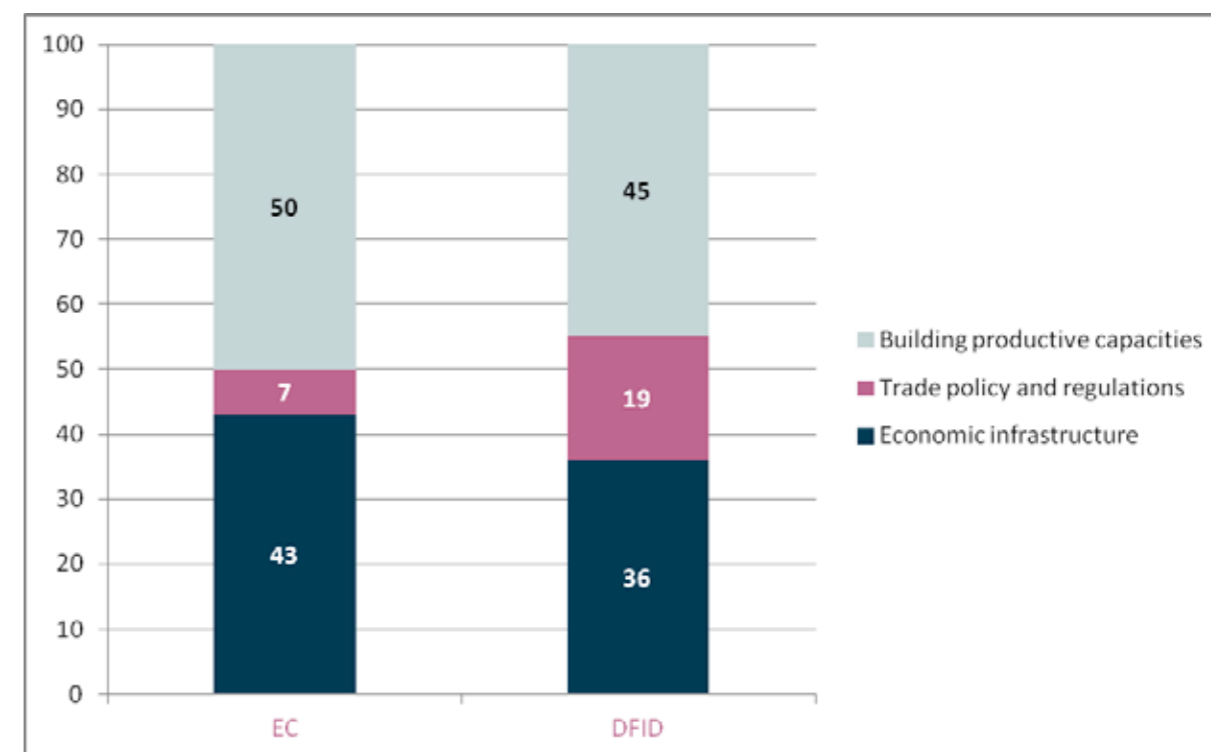
**2.1.1 Aid for Trade flows<sup>1</sup>**

Globally the share of Aft of overall Official Development Assistance (ODA) has increased from 29% in 2006-2007 to 35% in 2010. In 2010, economic infrastructure accounted for two thirds of Aft globally, while building productive capacity amounted to 27.3%, and support to trade policy and regulations just 2.7%. Since the launch of the initiative, economic infrastructure has attracted the most funding, covering 52% in 2006 and increasing steadily. The share of support to trade policy and regulations has, on the other hand, decreased slightly from 4.4% to its current 2.7%.

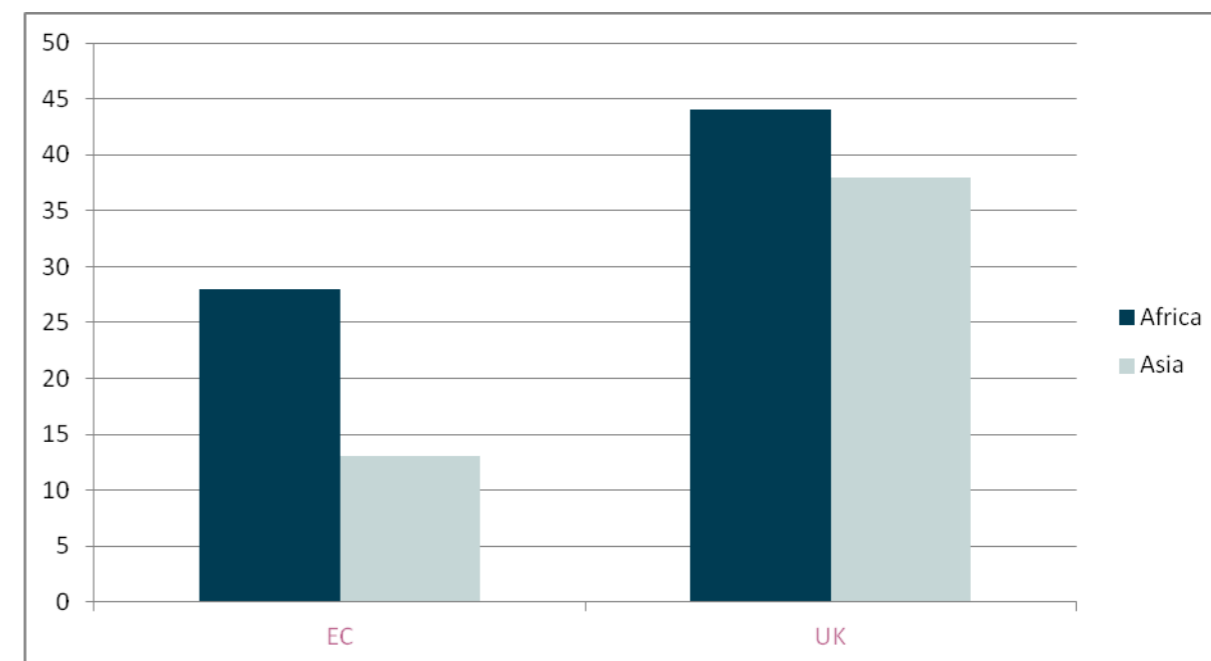
Aft to sub-Saharan Africa increased by almost 40% to reach USD 16 billion and now receives the largest share of total Aft among the different regions. Donors are increasingly focusing their Aft support on low-income countries, and the share of Aft to low-income countries has increased from 25% in 2006 to 30% in 2010, and the share of Aft to lower middle-income has decreased from 41% in 2006 to 32% in 2010. Global and regional programmes have continued to grow, receiving 18% (USD 7 billion) of total commitments in 2009.

<sup>1</sup> Data from the OECD Creditor Reporting System (CRS)

**Figure 1: Aid for Trade across intervention areas**



**Figure 2: Geographical allocation of Aid for Trade**



## 2.1.2 EC and DFID Aid for Trade funding<sup>2</sup>

EC is a significant AfT donor and in 2010 the AfT commitments totalled around 6.5% of global AfT. AfT's share of ODA has increased since the launch of the initiative for both DFID and the EC. In 2006, DFID's AfT spend accounted for less than 15% of ODA, while in 2010 the share increased to around 25%. For the EC, AfT now accounts for nearly 30% of ODA.

In 2010, a significant share of the EC's resources targeted capital-intensive investments in infrastructure, although the focus has shifted from infrastructure projects towards building productive capacity which accounts for around 50% of EC's AfT (see figure 1). Economic infrastructure accounted for approximately 43% of total EC AfT, while trade policy and regulations accounted for 7%. DFID's focus has been on building productive capacity (45%), while the share of infrastructure was 36%. Trade policy and regulations (19%) receives a larger proportion of DFID AfT compared to the EC.

On the geographical spread of AfT funding, approximately 44% of UK's AfT was targeted to Africa, while Asia accounted for 38% of total AfT (India's share in 2010 was 18% of all AfT to developing countries) (see figure 2). In the same year, 28% of EC AfT was directed to Africa, and 13% to Asia. Since 2005, the share of AfT channelled through multilateral organisations has doubled.<sup>3</sup>

## 2.1.3 The linkages between trade, growth and poverty

The 2011 OECD-WTO AfT Global Review revealed that donors give the highest priority to long-term objectives such as poverty reduction and economic growth, with more than 60% of donors ranking these as their main priorities. The view is that trade is not an end in itself but a means of achieving broader goals (including economic growth and poverty reduction).

Although there is evidence that trade, growth and poverty reduction are interlinked, most empirical studies have not been able to establish a systematic link and a direction of causality between these.<sup>4</sup> However, very few countries have grown over long periods of time without experiencing a large expansion of their trade<sup>5</sup>. Poverty reduction, in broad terms, has followed as a consequence of increases in income, employment, and government social expenditures. However, there are risks and opportunities for particular poor groups (and regions) as increased trade changes the profile of livelihood possibilities. There are also different gender effects – women may benefit less from increases in formal employment but benefit more from improved management of the informal economy and informal trade where they predominate.

The impact of most trade-related interventions are context specific, and the impact on the poor will depend on the areas and markets they work in, their consumption and production patterns, as well as the different roles men and women (as well as other groups) hold in those markets and areas affected by the interventions.<sup>6</sup> The majority of the poor work in the agriculture sector but it should be noted that not all changes in the sector impact on all groups in the same way. An example of this is discussed in section 3 in the EC case study on Rwanda where cooperation in the coffee sector revealed that the majority of the cooperatives participating in the project were not owned or managed by the poor and the impact on them was in fact limited in a number of cases. Box 2

<sup>2</sup> Data from the OECD CRS

<sup>3</sup> DFID 2010

<sup>4</sup> For examples of these studies, see Hayashikawa 2009

<sup>5</sup> Dollar and Kray 2001

<sup>6</sup> Hayashikawa 2009 and McCulloch et al 2001

provides a simple checklist (or list of questions) that can be incorporated into assessments (at the appraisal, design and/or evaluation stage) to ensure the examination of inclusive growth and poverty reduction concerns.

### Box 2: Assessing the potential impact on poor and excluded groups and/or poverty

#### Inclusion and exclusion

Which typically poor and excluded social and economic groups are engaged in, and excluded from, the sector?

- For example, women, informal traders, micro-entrepreneurs, ethnic minorities, migrants, landless labourers, smallholder farmers, etc.

How are these groups engaged in the sector and what are the terms of engagement?

- For example, is engagement through consumption, production or employment related to trade? Are the terms of this engagement positive (i.e. stable prices for consumers and producers, good employment conditions) or negative (i.e. price fluctuations, thin markets, inadequate labour protection)?

Why are these groups excluded from the sector? What are the obstacles?

- Skills, education level, language, credit, infrastructure, transport, discrimination (based on gender, race, religion, etc.).

#### Implications of trade expansion

What would be the implications, both positive and negative, of trade expansion for poor and excluded women and men currently engaged in or excluded from the sector?

- For example, employment generation, income generation, rural development through government or private sector investment, access to markets, price changes, etc.

How could policies and programmes support opportunities, remove barriers and mitigate adverse effects in relation to the sector?

- For example, access to credit, improved and more affordable transport, more efficient and user-friendly customs and border processes, vocational education, business support services, etc.

Source: Turner, L. et al 2010

## 2.1.4 How can Aid for Trade contribute to trade, growth and poverty

The rationale for the AfT agenda is to support developing countries and LDCs to overcome barriers to trade expansion, while ensuring that poor people benefit from trade.<sup>7</sup> AfT is intended to support developing countries to expand trade and to promote growth, development and poverty reduction. A key part of this lies in promoting trade expansion at the aggregate level. But to maximise outcomes, the way different social and economic groups, such as informal traders, small and medium enterprises (SMEs), migrant workers and female traders, engage with trade also requires attention.

From an AfT perspective, it is critical to understand how changes in trade affect households, and what contextual factors influence the effects. AfT programmes can be designed not only to increase the volume and value of trade, but to support trade that will contribute to economic development and poverty reduction, ensuring that different groups (e.g. large business, SMEs, formal and informal traders, male and female workers) have an opportunity to benefit from increased trade and trading opportunities.<sup>8</sup> This support can take a variety of forms, including support to trade policy and integration, but also support to trade expansion that can generate incomes for poor people, and to mitigate and compensate for the adverse impacts of changes in the volumes and direction of trade. At the very least, AfT should be designed and implemented in such a way as to ensure the impact on

<sup>7</sup> Higgins and Prowse 2010

<sup>8</sup> Higgins and Prowse 2010

poor and excluded groups is understood and that there are no unintended negative consequences on such groups.

Below we will look at each of the AfT categories in turn and briefly discuss their possible contribution to the impact on poor and excluded groups and poverty reduction:

- **Trade policy and regulations:** This category primarily covers support to the development of trade policies and strategies, negotiating regional and international trade agreements and the implementation of outcomes of these agreements. AfT in this area has the potential, for instance, to support analysis on trade policy and negotiations processes to ensure that these are inclusive and explore pro-poor and inclusive growth relationships. For example, this may include poverty and social impact analysis of trade agreements, ex ante or ex post, looking at (potential and actual) disaggregated effects.
- **Trade-related infrastructure:** This area of AfT relates to development of infrastructure (both soft and hard, particularly transport, telecommunications and energy) to connect domestic markets to regional and global markets. This kind of support can contribute to trade expansion through reducing the time and cost of transport and opening access to wider markets. Poorer trading groups may benefit from expansion in infrastructure through better access to markets and market information, improved connectivity and reduced transportation times and costs. In addition, storage services and standards fall under this category of support, which allows smallholders to respond better to market signals (rather than, for example, having to sell their harvest all at once). However, there are also potential negative effects – e.g. possibly accelerating the spread of HIV along transport corridors.
- **Productive capacity building (including trade development):** This category covers a wide-range of assistance directed at promoting the creation of an enabling business environment, trade development and export diversification. It includes business support services, banking and financial services as well as trade-related sector support (e.g. to agriculture, forestry and fishing). Extending and deepening domestic markets and linking them to international markets can harness growth and poverty reduction potential. This includes value chain development. Trade expansion affects different groups (poor and excluded, women and men, etc.) in different ways. Where trade expansion leads to the growth of certain (sub-) sectors, while others may decline, support can be tailored to facilitate mobility across sectors and occupations that result from structural changes in the economy. Examples of these approaches include agricultural diversification (including agribusiness) initiatives and Making Markets Work for the Poor (M4P) approaches.
- **Trade-related adjustment:** Support to trade-related adjustment aims to help countries with the costs associated with trade liberalisation (including preference erosion, tariff reductions or declining terms of trade). AfT should aim to optimise the positive, and limit the negative, impacts on the poor, working at the national level (e.g. supporting initiatives that manage decreases in government revenue), at the sectoral level (e.g. by providing vocational training and education for workers from sectors that will be phasing out as a result of restructuring of the economy), and at the household level (e.g. by supporting social protection measures).

## 2.2 Monitoring and evaluation of Aid for Trade

### 2.2.1 Global monitoring frameworks

M&E of AfT is one of the key areas of discussion in the global AfT initiative (led by the OECD and WTO). Measuring the outcomes and impact of AfT remains a challenge despite the fact that donors

have been evaluating trade-related assistance, private sector development and infrastructure for many years.

Since the 2005 Hong Kong Ministerial Conference, the WTO and OECD have been working on the M&E of AfT according to Paris Declaration principles at three levels: firstly, monitoring of global AfT flows using the OECD-DAC Creditor Reporting System (CRS) database; secondly, M&E by donors; and finally M&E by AfT recipients. Three Global Reviews have so far been completed, most recently in 2011. The latest review explored AfT M&E, including analysing what works, what does not, and where improvements are needed.

Results from previous reviews suggest that the AfT initiative has been successful in mobilising resources and raising awareness on the positive role trade can play in development. However, more needs to be done to measure the actual development impact of AfT. The Third Global Review noted that one of the challenges in measuring the impact of AfT on trade and poverty reduction relate to “methodological and practical difficulties in assigning trade outcomes and impacts directly to AfT programmes”.<sup>9</sup> Case stories (circa 300) were produced for the Global Review to showcase results on AfT. However, most of the case stories focused on process, and sometimes outputs, rather than actual outcomes and impact. Only a minority of stories focused on the impact of AfT, some of which are looked at in the following section.

As discussed above, the EU (EC) and UK provide information to the OECD CRS, and provided responses to the questionnaires and requests for case stories ahead of the last Global Review. In addition, the EU produces an annual AfT monitoring report which is based on four main sources of information:

- OECD CRS
- WTO Doha Development TRA database (data up to 2007 only)
- Monterrey questionnaires sent annually to EU member states for the monitoring of the EU commitments on financing for development
- Replies to the AfT questionnaires from EU Delegations coordinated with member state field offices in developing countries

### 2.2.2 Measuring the poverty impact of Aid for Trade

There has been a growing interest in finding better ways to monitor and evaluate the effectiveness of AfT. However, as mentioned earlier, there have been a number of challenges to robust M&E of AfT, and in turn determining what has been effective. As the OECD notes “the poor state of evaluation in AfT is not just a case of poor data entry, missing files, and still confusing cross-cutting aid categories. The difficulty in measuring outcomes points to systematic problems at the design and implementation stage, and in assigning macroeconomic outcomes and impacts to individual aid-for-trade programmes and projects.”<sup>10</sup> The failure in project and programme design to focus on measuring poverty impact has been recognised as a major shortcoming in a number of projects and programmes, not just for DFID and the EC or for AfT. More broadly, such objectives are often not embedded in project and programme design. Other challenges include the lack of adequate quantifiable indicators for the approximation of outcomes and impact. The question of attribution, or the extent to which the project or programme has had an impact on the desired development outcome, remains pertinent.

<sup>9</sup> OECD-WTO 2011

<sup>10</sup> OECD 2011



According to a recent OECD report, there is no common evaluation framework in place for AfT, and although this issue is regularly brought up in discussions, the evaluation community does not currently see the need to create guidelines for the evaluation of AfT as the approaches and requirements for evaluation results are as numerous as the donors conducting the studies. A number of different definitions and approaches are currently used by donors who often work towards different objectives and with a different set of resources. A discussion of conceptual challenges – particularly linkages in results chains, the problem of attribution, and the sequencing of programmes and projects – could result in greater operational clarity, and help in the eventual evaluation of the projects and programmes.<sup>11</sup>

Recently, some evaluations of AfT (in its entirety) have been conducted in an attempt to better understand the effectiveness and impact of AfT interventions. For example, these include an evaluation of Finland's AfT Action Plan in 2011, an evaluation of AfT by Japan published this year and a meta-evaluation of AfT by the OECD in 2011 (see box 3 below). In addition, thematic evaluations have taken place looking at 'sub-components' of AfT (e.g. World Bank evaluation of its trade-related support in 2006, and similar for SIDA in 2009, while Norway evaluated its support through multilaterals on trade-related assistance in 2011), or are planned (e.g. EC - see below).

There are a number of qualitative and quantitative tools available for the approximation of the effects of AfT on poverty reduction and disaggregated groups. These include ex ante (what is a project intending to achieve) and ex post (what was achieved, what works, what does not, etc.) methodologies. For instance, poverty and social impact assessments have been employed by both the World Bank and DFID. However, the focus has often been on policy changes/reform rather than the impact of aid projects and programmes. Recently, the use of impact assessments/evaluations has increased, including the use of random control trials. Impact evaluation compares outcomes between groups of participants in a programme or project with a control group. There are a number of concerns raised over the appropriateness (or even ethics) of such an approach. The World Bank has undertaken research on how trade-related interventions can be evaluated using impact evaluation methods and considers that building impact evaluation into projects and programmes could lead to better design.<sup>12</sup> Impact evaluation methods have traditionally been used in health care, education, as well as private sector development. However, according to the Bank, these methodologies can also be usefully employed to assess the impact of trade-related initiatives.

### Box 3: Meta-evaluation of Aid for Trade programmes

A recent meta-evaluation by the OECD of 162 trade-related evaluations provides an overview of (and perspective on) the way OECD-DAC donors and international agencies have implemented programmes and projects and conducted evaluations in terms of both the methods used and topics covered. The OECD meta-evaluation demonstrates that evaluations of AfT programmes and projects have not usually had much to say about trade, and have had even less to say about the policy linkages that matter most to policy-makers. Often evaluations have referred extensively to broad, development-related concepts, such as gender or poverty reduction, but without clearly defining these concepts. Moreover, evaluations have often lacked an adequate or realistic timeframe for measuring results, rarely distinguishing between what is achievable in the short and longer term. Consequently, their conclusions typically give little insight into whether AfT actually works (or not) and why.

Source: OECD 2011

<sup>11</sup> OECD 2011

<sup>12</sup> World Bank 2011

## 2.3 DFID

The UK Government undertook a series of comprehensive aid reviews in 2009/10 (bilateral, multilateral and humanitarian) resulting in a revised approach to aid which puts a strong focus on results and value for money, and increased policy attention on sectors such as private sector development as well as health (e.g. maternal mortality). AfT does not feature as a term in these reviews but greater emphasis is placed on the terms economic growth, private sector development and trade facilitation.

### 2.3.1 Aid for Trade policy and programmatic frameworks

#### Policy and strategy

The following documents constitute the main DFID policy framework related to AfT:

- DFID (2011) "UK aid: changing lives, delivering results"
- Department for Business Innovation and Skills (BIS) (2011) "Trade and investment for growth"
- DFID (2008) "Aid for Trade strategy 2008-2013: sharing the benefits of trade"
- DFID (2008) "Private sector development strategy - prosperity for all: making markets work"

Although the AfT strategy (and its related M&E framework) was specifically designed to guide and evaluate UK's AfT spending, the strategy currently serves mainly a communication purpose rather than as a guide for staff in charge of designing and managing projects on the ground. With the arrival of the new government in 2010, the DFID department responsible for DFID's AfT Strategy (Trade Policy Unit (TPU)) was combined with a similar department in BIS and is now named the Joint TPU. As a result, the AfT strategy was abandoned, although DFID's overall approach towards supporting AfT initiatives is still very much in place and DFID's support in this field continues to grow (although, as mentioned earlier, with fewer references to AfT and greater reference to private sector development, trade facilitation, etc). Given the merging of the trade policy units, material on AfT is scattered across the two government department websites.<sup>13</sup> DFID's response to the OECD-WTO AfT Global Review stresses that "the UK is not phasing out AfT", simply that the term AfT has reduced in visibility across DFID and BIS over the last couple of years.

The new Trade White Paper (launched in 2011 and, by some, is considered to supersede DFID's AfT Strategy) refines the approach to AfT. The White Paper re-emphasises the importance of AfT, for example: "the UK has ambitious bilateral aid programmes, with a strong AfT element" ...; "the UK will... honour our G20 commitment to maintain AfT spending at or above its current level" ...; and, "the government is committed to supporting ambitious AfT programmes, both bilaterally and through major multilateral partners, to help increase trade and regional integration in the developing world". DFID expects to be spending at least £672m annually as part of the G20 commitments and are expecting to exceed this by at least £100m annually.<sup>14</sup> According to the 2012 EU AfT monitoring report, the UK's AfT commitments totalled just over EUR 716m in 2010<sup>15</sup>, although internal sources within DFID suggest this may be closer to £1bn.<sup>16</sup>

<sup>13</sup> <http://www.bis.gov.uk/policies/trade-policy-unit/trade-and-development/aid-for-trade>

<sup>14</sup> UK responses to OECD/WTO AfT Review questionnaires 2011

<http://www.oecd.org/dataoecd/49/49/47643036.pdf>

<sup>15</sup> EU Aid for Trade Monitoring Report 2012

<sup>16</sup> See e.g. [www.wto.org/english/tratop\\_e/tradfa\\_e/case\\_studies\\_e/ta\\_gbr\\_e.doc](http://www.wto.org/english/tratop_e/tradfa_e/case_studies_e/ta_gbr_e.doc)

The White Paper places special attention on reducing the constraints to trade through, for example, trade facilitation initiatives. In particular, it identifies supporting trade and regional integration through the Africa Free Trade initiative (AFTi) supporting the Continental Free Trade Agreement in Africa as a “top priority for the government” (see box 4). Other priority areas include support to trade negotiations through the Trade Advocacy Fund.<sup>17</sup>

#### Box 4: Africa Free Trade Initiative

In response to the regional integration challenges in Africa, the government launched the AFTi initiative to boost African trade through reduced bureaucracy, improved transport infrastructure and more efficient border crossings. The AFTi is a programme of investment, technical assistance and political support in order to unblock issues that continue to hold back economic growth across the continent. The initiative will help to break down trade barriers and open up opportunities for entrepreneurs, both large and small, to access new markets and invest in expanding production and trade.

Source: DFID and BIS 2012

In their response to the 2011 Aft Global Review, the UK highlighted the increased focus on results including through “improving M&E techniques”. The importance of delivering effective and efficient Aft has escalated in recent years. This includes tackling areas where gaps have been identified – for example, support to women-owned businesses and workers. The UK response highlights the importance of cross-cutting issues including “supporting initiatives that promote benefits for women traders and workers in export industries; building know how and support for linking Aft to support poverty reduction; and broader research to inform trade development and export policies and to improve aid for trade techniques”.<sup>18</sup>

DFID’s Private Sector Development strategy, in addition to outlining priority areas for supporting development of the private sector in developing countries, notes reduction in the cost of trading across borders, improvements in market access, working conditions and the development on sustainable market linkages as the main areas of focus for increasing trading opportunities for the private sector.

#### Projects and programmes

Project and programme design in DFID is generally undertaken by advisors who design and manage operations at the field level. In the case of Aft, there is no overall cadre of advisors in place, however cadres of private sector development, growth and infrastructure advisors exist, as well as economists. These advisors (as well as generalists) are typically in charge of the design and management of Aft-related projects and programmes.

DFID’s financial decisions are taken internally and country offices have more financial authority than, for example, the EC country delegations. A DFID head of country office can approve projects of up to £20m. However, ministerial approval is now required for programmes with a value of £5m and above.<sup>19</sup>

Four-year Operational Plans have been developed for all country and regional programmes, as well as for all policy-based interventions and multilateral investments, to coincide with the current spending review (4-year budget cycle) and new, emerging policy priorities. The Operational Plans all feed into the organisation-wide DFID Business Plan which maps out a vision and broad priorities for

<sup>17</sup> BIS 2012

<sup>18</sup> OECD-WTO 2011

<sup>19</sup> New requirement introduced during October 2012

the organisation up to 2015. A Structural Reform Plan composed of 6 key strategic objectives, with concrete milestones, underpins this Business Plan. Whilst each country is unique and plans drawn up based on local needs, DFID country Operational Plans should feed into the DFID-wide Business Plan.

From 2010, all DFID projects and programmes are designed using a new Business Case template. It puts strong emphasis on expected results and evidence, as well as on analysing whether the action represents good value for money and makes sense from a strategic, financial, commercial and management viewpoint. Business Cases are preceded by a Concept Note explaining the rationale behind the intervention and its main aims. The Business Cases require an explanation of how results will be achieved and how these will be measured.

**Table 1: DFID quality assurance cycle**

PCM step	Stage	Quality assurance	Key documents produced
Programming	Strategic	Management Committee	Country Operational Plans
Identification	Ex-ante	Head of Office/Department	Concept Notes
Formulation	Ex-ante	Head of Office/Directors/Ministers/QAU	Business Cases
Implementation	On-going	Head of Unit	Project Annual Reviews (ARs), country level regular tracking of results (“we wills”)
Evaluation	Ex-post	Head of Office, Evaluation Department, Independent Commission for Aid Impact (ICAI)	Evaluation Reports, Project Completion Reports (PCRs) and ICAI reports

#### 2.3.2 Monitoring and evaluation of Aid for Trade

A DFID-wide results framework is under development and will be used to monitor and manage the delivery of results at the corporate level. The framework is expected to demonstrate how all Business and Operational Plans are linked and work towards the same objectives and offer a tool to hold DFID leadership to account.

At the broader level, DFID’s Evaluation Department offers guidance on how to design and evaluate programmes, and its 2009-13 evaluation policy “Building the evidence to reduce poverty” states that evaluations should be factored into the design phase. A new “10 Point Policy Implementation Plan” sets out how this new evaluation policy will be put into practice, and has also updated DFID’s Blue Book (the manual of tools and procedures) and enhanced other evaluation guidance documents. Logical frameworks now need to include clear quantifiable results and use of recognised indicators, set out methodologies for the use of all indicators, including estimating DFID’s attribution levels towards specific results.

In 2010, DFID established results advisors/champions for every country whose job it is to help project officers to design, monitor and evaluate country-implemented interventions. They play a key role in programme design, quality-assuring the evidence base, the logical framework, identifying needs for impact assessments, and helping design and use M&E frameworks for country offices and their project partners in the field. In parallel, evaluation skills are being upgraded throughout the system with more capacity for decentralised evaluations managed across the organisation.

In recent years, DFID has given a significant push towards improving the impact of its actions and reinforcing its ability to monitor performance and assess value for money, and new rigorous systems

have been put in place. Throughout the organisation, people are required to articulate expected results and subsequently report on them regularly at all levels, including country-based aggregation in line with stated “we wills” which are aggregated at central level.

Specific to AfT, as mentioned above, an M&E framework was designed in 2009 to aggregate the results of AfT interventions and to inform DFID on the portfolio’s performance. It sets out a framework for assessing the organisation’s AfT support in the major areas of operation identified in the 2008 strategy. This was developed in response to the organisation’s need to: i) measure progress against intended results and monitor overall effectiveness; ii) inform resource allocation and programming decisions; iii) assess value for money; iv) report internally and; v) for lesson learning and “telling the story”. Although the focus has not moved away from trade, private sector development, agriculture and trade facilitation (or other areas classified as AfT), the M&E framework is currently not being used. In addition, for the specific areas covered by AfT (e.g. private sector development, infrastructure, etc.) there are no specific overarching M&E frameworks in place, but the project designers and result advisors use project level logical framework templates, Business Case templates, policy guidance, Evaluation Department guidance and, sometimes, standardised indicators.

Project logical frameworks are prepared for all projects following detailed guidelines, with those under £1m following less strict requirements. Project designers are encouraged to use standardised indicators from an extensive list of suggestions. Gender-specific indicators are typically a requirement in order to assess the gender-differentiated impact of an intervention. All projects must comply with the overall Country Operational Plans and should draw on existing sector policies/strategies and methodological frameworks (where available/active).

Project Annual Reviews (ARs) are carried out yearly by project staff. These documents are published on the DFID website, and should generally be public documents. In fact, DFID made a commitment to publish these externally by end of July 2012. A Project Completion Report (PCR) is finalised once a project has ended to assess the extent to which the project has achieved its outputs and delivered the purpose, as well as assess the project’s value for money and to provide lessons-learned and recommendations for future interventions. Many of these reports are conducted by external consultants. DFID is reportedly developing better monitoring systems across its AfT-related interventions and focusing more resources on M&E.

### Box 5: Donor Committee for Enterprise Development approach to M&E

The Donor Committee for Enterprise Development (DCEd) is a forum in which donors and UN agencies share their practical experience on private sector development, and agree guidelines on best practice. In 2008 the DCEd commenced a participatory process to collect and define best practices in results measurement. The process involved a number of private sector development programmes and consultants, and produced the Standard for Measuring Achievement in Private Sector Development. The Standard is now on its fifth version. The Standard comprises the minimum elements required in any results measurement process, and provides a tool and a framework for building a results measurement system. A number of donor programmes are in various stages of adopting the Standard.

The Standard is based on the articulation of results chains (the logic implicit in any intervention). Programme managers need to be explicit about the results chain of any programme, and experience shows that the process of clarifying the results chain alone can deliver improvements in effectiveness. The Standard encourages the use of a mix of methods to estimate changes and attribution at each step in a programme’s logic.

The approach is based on the programme staff themselves collecting and interpreting the data as part of good management practice; this also enables them to report to donors on results at various steps in the logic of project and programme implementation.

The elements in the Standard are as follows:

1. **Articulation of the results chain:** requires implementers to think through and articulate the logic or theory of change of the intervention process to outcome and impact levels, and to monitor progress towards the achievement of objectives.
2. **Defining the indicators of change:** the Standard encourages implementers to derive the indicators from the logic. DCEd have also proposed universal impact indicators (related to scale, income and employment) to enable aggregation.
3. **Measuring changes in indicators:** once the indicators are identified, a system for measuring changes in the indicators needs to be developed, according to good practice.
4. **Estimating attributable changes:** the Standard encourages implementers to develop a story around attribution, using appropriate methods, to explain the extent to which the observed changes are a result of the interventions.
5. **Capturing wider changes in the system or market:** the Standard calls on programmes to make efforts to capture wider changes (beyond the direct beneficiaries) so that they do not ‘under-report’ their achievements.
6. **Tracking programme costs:** the Standard calls for a statement of the programme’s annual and cumulative costs, so that the achievements of the programme can be put into perspective.
7. **Reporting results:** the Standard calls for programmes to document the key changes in the indicators at least annually.
8. **Managing the system for results measurement:** the results measurement system should be integrated in the day-to-day management – including decision making – of the programme.

The universal indicators proposed by the Standard allow for an estimation of the level of changes in employment and incomes. Donors can, by bringing in additional expertise, go beyond the employment and income generation, to estimate the poverty impact of their programmes (e.g. including the possibility of conducting household surveys and poverty trends).

The Standard uses external audit of the use of the Standard (rather than of the data) to assess the extent to which the programme is meeting the required steps and control points.

Source: Interviews with DFID private sector development Advisors; DCEd 2010

In addition to internal monitoring of AfT and external evaluations, the Independent Commission for Aid Impact (ICAI) (launched in 2010) undertakes in-depth evaluations of DFID’s policies and programmes to offer an independent, qualitative scrutiny of the use of DFID’s resources. To date, it has not evaluated any policies or programmes related to AfT but this is foreseen. With few exceptions, it targets major country programmes, thematic policies, major multilateral investments, rather than project-specific evaluations.

## 2.4 European Commission

### 2.4.1 Framework for EC development cooperation

Reform of the way in which the EU20 provides development aid started back in year 2000. As part of these reforms, a range of new systems were introduced alongside the adoption of new aid policies and procedures. Management of EU aid was decentralised to the field level, where EU delegations today are in charge of project and programme design, implementation and M&E. Financial authority has largely remained at HQ, with most operations above €100,000 needing HQ endorsement. Compared to many other donors, EU aid thus remains rather centralised and the influence of HQ is felt throughout the project life. This is particularly true for the organisation’s quality control and appraisal systems.

<sup>20</sup> For the purpose of this paper, by EU aid we mean the aid managed by the EC

Due to the specific nature of EU aid – made up of contributions from EU member states either directly through the European Development Fund (EDF) or indirectly through a share of the annual EU budget – EU member states also retain a high level of control over both EU aid policies and programmes. Their influence remains strong during design and formulation stages, but reduces rapidly once policies and programmes have been approved.

Following additional reforms introduced at the start of the current multi-annual financial framework (2007-13), EU country and regional strategies, mid-term reviews, and country and regional annual action plans/fiches are all adopted in Brussels-based committees by EU member states. EU aid policies are similarly discussed and adopted in Brussels-based council meetings. This would, for example, include the recently revised EU development policy or the new 2012 EU policy on trade and development. The fact that EU aid is formally endorsed by EU member states adds an extra level of checks and balances in addition to its already heavy internal processes.

EC budget funds are approved by member states and the European Parliament in an annual process, whereas EDF is a multiannual aid framework approved by member states only and for the entire period 2008-13.

Within the EU there are three key players which have responsibility for aid and development matters: Directorate-General of EuropeAid, Development and Co-operation (DG DEVCO); Directorate-General for Humanitarian Aid and Civil Protection (ECHO); and the European External Action Service (EEAS). The EEAS is the overseas diplomatic arm of the EU responsible for EU delegations throughout the world, and prepares country strategies and programmes development funds in consultation with DG DEVCO. DG DEVCO is currently present in approximately 150 worldwide EU delegations.

## 2.4.2 Aid for Trade policy and programmatic frameworks

### Policy and strategy

The EU's policy framework in the areas of AfT and private sector development mainly consists of:

- 2000 EU-ACP Cotonou Agreement and the 2007 Development Cooperation Instrument (DCI) are the two legal bases for aid towards EU cooperation countries, and include provisions around AfT and private sector development
- 2007 EU Consensus for Development and its 2011 revision
- 2007 EU-wide AfT strategy and its annual monitoring exercise
- 2010 Trade and Private Sector Policy and Development methodological note
- 2012 Trade and Development Communication

The overall objective of the EU and member state AfT Strategy is to “support all developing countries, particularly LDCs, to better integrate into the rules-based world trading system and to more effectively use trade in promoting the overarching objective of eradication of poverty in the context of sustainable development”.<sup>21</sup> One of the priorities of the EU AfT Strategy is to increase the “pro-poor focus and quality of EU AfT”.<sup>22</sup>

<sup>21</sup> EU 2007

<sup>22</sup> Turner et al 2008

There are no specific plans for AfT although the EU has made financial commitments on AfT. The multi-annual national and regional programming documents serve as the basis for operations. Trade, private sector development, regional integration, infrastructure and agriculture (as well as other AfT-related sectors) are possible main areas of cooperation, or alternatively trade-related issues can be embedded in other focal sectors (e.g. trade facilitation in transport, SPS measures in rural development, etc). The programming documents do not identify in advance the specific AfT categories in which programmes may fall (CRS codes are not used at this stage).<sup>23</sup>

### Projects and programmes

Project and programme design is initiated and managed by country delegations, though most (if not all) are prepared by external consultants. Proposals go through a rigorous and centralised quality assurance process to ensure they comply with EU standards, rules, country strategies and overarching policies.

Proposals are first appraised internally through the production of so-called Identification Fiches, followed by the more elaborate Action Fiches. These are assessed by the HQ-based Quality Support Groups (QSG), which perform peer reviews during the identification and formulation stages, building on in-house expertise. They aim to help project officers formulate high quality design, drawing on best practice. The EC AfT team would, for example, be involved in assessing AfT-related fiches in a QSG and ensure compliance with the AfT strategy. Country Annual Action Plans, including project-specific Action Fiches, are then adopted by all EU member states, usually one per year per country. Following this, project documents are designed and finalised internally.

The combination of external project designers and the HQ-managed quality support system suggest a highly centralised process. This can help guarantee higher and more even quality throughout the system, coherent approaches, compliance with broader EU policies and rules, etc. The flipside is potentially less reflection of local circumstances and less flexibility in project design. AfT projects go through the same project design cycle as any other projects and programme within the EC.

**Table 2: EU quality assurance cycle**

PCM step	Stage	Quality assurance	Key documents produced
Programming	Strategic	Inter-service QSG	Country Strategy Paper (CSP), National Indicative Programme (NIP)
Identification	Ex-ante	Office QSG 1	Identification Fiche (IF)
Formulation	Ex-ante	Office QSG 2	Action Fiche (AF)
Implementation	On-going	ROM, Medium Term Evaluation	Monitoring Report (MR), Background Conclusion Sheet (BCS), Medium Term Review (MTR)
Evaluation	Ex-post	ROM, Evaluation	MR, BCS, Evaluation Report

### 2.4.3 Monitoring and evaluation of Aid for Trade

Contrary to DFID, the EC has not set out its overarching aid priorities and plans in a specific action plan of sort, apart from its annual budget plans. As a consequence, the EC does not have a results framework with detailed targets at the organisation-wide level to assess and monitor its

<sup>23</sup> OECD-WTO 2011

performance on a regular basis, as the EC feels that for an organisation of its size (representing close to 10% of ODA and operating in 175 countries) such an exercise would not be practicable.

As part of the reforms, the EC introduced an elaborate management and information system for its external aid, which covers all areas including AfT. More than many other donors, the EC must comply with numerous controls while also balancing the interest of all its member states. At times this makes for less than optimal approaches to aid management. Any substantial changes or reforms do also require both internal and external (EU member states') endorsement.

Regular project monitoring is conducted by project officers in delegations. An annual monitoring exercise of all projects above €1m is carried out by external experts, called Results-Oriented Monitoring (ROM). As a rule, projects undergo ROM six months after the start of implementation. A small sample of projects below €1m is also assessed.

ROM exercises are carried out by external consultants who spend 2-3 weeks in-country interviewing stakeholders and observing project performance and potential issues. All projects are graded and results presented in one long and one short (two-page) report. This yearly regularity can help promote continuity and serve as helpful reminders to delegations to tackle recurrent issues. Several hundred ROM missions are organised every year. Although the format and the general guidance for the ROM are publicly available, the results and the assessment for individual projects and programmes are not in the public domain. The projects are scored in the ROM assessment, and a Background Conclusion Sheet (BCS) is prepared.

ROMs follow a highly prescriptive format and assess and score operations along the following OECD DAC criteria: relevance and quality of project design; efficiency of implementation to date; effectiveness; impact prospects; potential sustainability; and horizontal and cross-cutting issues. One of the criticisms on the methodology is that the ROM missions are seen to be HQ driven, and the delegations may not take the conclusions of the ROM reports as seriously as they perhaps should.

Poverty impact is only assessed to the extent this forms part of the aims of the initial project design. However, certain cross-cutting issues are assessed regardless of the nature and aim of the operation, including gender, environment, good governance, human rights, etc. As a rule, projects and programmes should therefore capture the gender-disaggregated impact of its actions.

Key issues of interest covered in all ROM exercises:

- **Sustainability:** is it an integral part of the design, is the project institutionally and/or socially well embedded?
- **Stakeholder involvement:** are timescale and range of activities realistic in view of their capacities?
- **Cross-cutting issues:** for example, have gender concerns been taken into account explicitly and any gender analysis conducted during the design phase? Will the project result in increased gender equality, how would it be classified according to the OECD gender policy marker?
- **Compliance with related EU policies**
- **Analysis of negative, unexpected impacts, and suggested mitigating measures.** This is seen as a key positive dimension of the ROM exercise.

The EC distinguishes between strategy, programme and project evaluations, and project specific evaluations are conducted mid-term and at the end of a project. The evaluations are tailored to the context and type of operation. Every year, the EC undertakes a series of thematic evaluations to

assess performance and impact at the sector level. Two global evaluations are currently underway related to AfT – one for trade-related assistance and one for private sector development – both due for publication in November 2012. The evaluation unit has developed a series of methodological evaluation frameworks<sup>24</sup> for different sectors, complemented by specific guides for programme evaluations, various evaluation tool documents, etc. The evaluation frameworks generally focus on outcome level indicators (and not outputs or impact levels) with the aim to fill the “missing middle” between these two results levels. The evaluation frameworks and their standardised indicators feed into both the project design phase and M&E. To illustrate, standard indicators in the “outcome and impact level indicators” note for the agricultural and rural development sectors include important poverty-related dimensions such as:

- Rural income
- Farmer vulnerability to price volatility
- Affordability of food and subsistence in food
- Undernourishment
- Agricultural labour and unemployment

EU project evaluations are predominantly carried out by external experts, and draw on the ROM reports in addition to looking at project documents and logical frameworks.

Together with the OECD and WTO, the EU is placing increasing attention on the improvement of M&E of AfT. This issue was addressed with specific questions in the AfT survey to EU field offices, in order to receive feedback from the field on the main challenges, good practice and M&E.<sup>25</sup>

As discussed above, the level of analysis of poverty impact is directly dependent on the extent to which this has been articulated during the design phase. Approved project documents and logical frameworks are key documents in the M&E process and the baseline material for any M&E. In comparison to DFID logical frameworks which should be adjusted during the project life to reflect changing circumstances, EC logical frameworks are static documents and cannot be changed once approved. Such inflexibility can jeopardise the success of a project.

### 3. METHODOLOGY AND ANALYSIS

#### 3.1 Introduction

A key objective of this paper is to explore the extent to which DFID and EU M&E frameworks and evaluations explore the poverty impact of AfT (including the effect on poor and excluded groups) at both the strategy, programme and project levels. We look at the intentions, as spelled out in higher level M&E frameworks (related to poverty impact in particular), and how these filter down to the programme and project level in terms of both the design of M&E frameworks and follow up M&E exercises.

This section focuses on a range of project and programme-specific M&E exercises by DFID and the EC. The design of projects and programmes is also covered since this will: i) indicate expected poverty impact; ii) give an indication of how the objectives of the projects and programmes are aligned with the overall aims of related strategies; and, iii) illustrate the extent to which evaluations follow existing M&E frameworks and best practice for evaluating poverty impact of AfT.

<sup>24</sup> EC 2006

<sup>25</sup> EU 2011 and EU 2012

This section attempts to answer the following questions:

- Are AfT project and programmes seeking to have an impact on poverty (and/or poor and excluded groups) and, if so, how?
- How are the regions and sectors identified (i.e. are these likely to be those regions and sectors where poor people are likely to work, and if so, what kind of an impact is the programme likely to have, looking at both negative and positive impacts)?
- Are such programmes designed in line with existing strategies, frameworks and best practice?
- Is the poverty impact measured or assessed at project-end? If so, what methodology is used?
- Whether evaluations address issues of power in supply chains (focusing on the agricultural production chain)?
- Whether evaluations examine the effect on different sizes of enterprise (especially SMEs and the informal sector)?
- Whether evaluations differentiate between different groups, including men and women?
- Whether evaluations examine the impact on losers, as well as winners, from the programme (for example, from preference erosion)?

### 3.1.1 Hypothesis

- Strategy informs the design of the projects and programmes, and that poverty impact (and/or effects on poor and excluded groups) is considered in the design and evaluation of the projects and programmes.
- M&E frameworks (and logical frameworks) consider poverty impact (and/or effects on poor and excluded groups).
- Evaluations exploring the poverty impact (and/or effects on poor and excluded groups) of AfT interventions informs the design of future projects and programmes (lesson-learning)

### 3.1.2 How are we testing the hypothesis?

We have conducted data analysis based on information as reported by the EC and DFID in international aid databases, as well as their own annual reporting systems. Based on the information available both online and through consultations, we have compiled a table of the available documentation per project. This table is attached as Annex 3. It is noteworthy that the team has not been able to access the full set of project/programme documents, even when the project has been closed. This issue is further discussed in section 3.2 below.

From the long list of AfT projects and programmes, we have selected a sample of EC and DFID projects and programmes. The selection criteria for the sample selection is presented in box 6 below. The data and documentation review has been complemented with discussions with stakeholders from DFID and EC HQ and country offices, as well as with the OECD.

### Box 6: Selection criteria

Selection criteria included consideration of the following:

- Availability of relevant documentation
- Geographical balance (focusing on India, Bangladesh and East Africa)
- Size (focus on larger programmes due to availability of evidence)
- Balance between ongoing and completed projects
- AfT category and type of programme

Based on the above criteria, we have selected a number of projects and programmes and:

- Consulted project/programme documents and logical frameworks and explored indicators and targets for intended poverty impacts
- Assessed any monitoring products or evaluations available to look for evidence of poverty impacts
- Assessed the extent to which projects and programmes have been evaluated to explore poverty impacts

The preliminary findings are presented in Annex 5 and section 3.3 below. The main factor affecting the selection of the sample of projects and programmes has been the availability of relevant project documentation, including project memorandum or similar, logical framework, and reviews and evaluations. The document review has been complemented by consultations as well as a review of recent literature on, for instance, the impact of AfT including on poverty. In addition, we assess if best practice tools and techniques are used to assess the poverty impact of projects and programmes (either ex ante or ex post).

### 3.2 Limitations

This paper can only give a snap-shot of how two major players in AfT contribute towards poverty reduction through their operations. The paper is based on a relatively small sample of programmes covering the main AfT categories. However, the main constraint faced by the team has been the limited availability of project and programme documents, and hence the sample has been selected based on the information available at different stages of the project and programme cycle.

DFID publishes project and programme information on their project database website<sup>26</sup>. This information includes basic information on the project such as start and end dates, budget, a short description and the sector in which the project is working in. In the majority of cases, project documentation (for example, programme memorandum, logical framework, annual reviews, etc.) are not available. At present, across DFID's entire portfolio (completed, operational and pipeline), the project database includes the following number of documents: logical frameworks (411); annual reviews (212); and, project completion reports (88). In terms of evaluations, these are uploaded to the main DFID publication page (not the database) and include 302 evaluations, many of which are out-dated. There are only 7 evaluations related to trade (some distantly), covering the period 1998

<sup>26</sup> <http://projects.dfid.gov.uk>

to 2004, and 24 related to economic growth (1993-2008). No other AfT-related themes are covered.<sup>27</sup>

The EC publishes some project and programme information on their EuropeAid website, although this usually covers Action Fiches (i.e. project summaries), and often does not include logical frameworks or monitoring reports. In addition, each delegation has some information on their current projects on the delegation website. In some cases this is rather comprehensive (e.g. in Bangladesh), but often the project lists are out of date, and no additional project documents are available online.

### 3.3 Examples of Aid for Trade M&E practices

#### 3.3.1 Projects and programmes

This section explores a number of examples, primarily in Bangladesh and India, of how AfT programmes and projects are currently reviewed/evaluated, with a particular focus on the extent to which the effects on poverty, and poor and excluded groups, are considered. We have looked at projects and programmes where the documentation available has allowed for some degree of analysis. Where monitoring/evaluation reports have not been available, we have analysed the logical framework – including the goal, purpose/outcome and output indicators – and the extent to which they consider and integrate the effects on poverty reduction and poor and excluded groups. The analysis is limited by documentation availability but more in-depth analysis is required across a deeper and wider sample of documents to further substantiate some of these findings.

Based on the available documents, we have looked at projects and programmes from Bangladesh, India, Nigeria, Nepal, Kenya and Papua New Guinea. As noted above, the availability of EC project and programme documents online (beyond fairly general action fiches and logical frameworks) is very limited, and only general conclusions can be drawn on the approach and likely poverty impact.

In instances where the projects are concerned with a particular sector or groups of people, there is often significant potential to assess the effects on poverty and poor and excluded groups. For example, a DFID project supporting inclusive growth in India's poorest states identifies indicators to measure the effect on access to financial services by the poor and economic value generated by the poor.

A number of the DFID projects and programmes in the sample are either focusing on specific sectors (e.g. garments) and/or particular geographical areas. Overall the indicators used in the DFID logical frameworks are specific, time-bound and disaggregated by gender (and in the case of one of the projects, also by socioeconomic group). The disaggregation of indicators can give a better idea of the impact that the project or programme is trying to achieve at the outset, and will, at the time of annual review or final review, give an indication toward achieving the desired impact of the programme. Attribution remains a challenge particularly at the goal level. In the projects in the sample, the outcome can be more directly linked to the project activities and outputs when the theory of change has been clearly articulated.

Other examples, such as support to the power sector in Madhya Pradesh, whilst ultimately striving to reduce poverty, its main aim is to reduce government subsidies and increase economic growth with no direct attempt to target particular groups (such as the poor and excluded) except through an

<sup>27</sup> Website accessed 18<sup>th</sup> July 2012. An earlier retrieval (12<sup>th</sup> June 2012) found: logical frameworks (401 compared to 411 on 18<sup>th</sup> July 2012); annual reviews (186 compared to 212); and, project completion reports (76 compared to 88)

assumption that reduced government subsidies will free up resources for social spending. However, the annual review found that social sector spending increased and access to power by the poor had increased (from 30% to 62%, 2005/06-2010/11), although attribution of results to the project cannot be robustly proven. In addition, the indicators in this particular instance do not capture the expected impact on SMEs (that often would be the main sources of income for the poor).

In comparison, the review of DFID's support to improving connectivity and access to markets in Nepal directly targets poor and excluded groups who, through the design of the project, are the direct employees of the project. In fact the annual review measures the direct gains in employment generated as well as employee expenditure on education and health.

According to new DFID project completion guidelines, projects and programmes are expected to include a value for money assessment, which includes calculations on income generated, as well as any employment effects a particular project is estimated to have had. The PCR of the DFID Nigeria Promoting Pro-Poor Opportunities in Commodity and Service Markets (PrOpCom) project found that it contributed directly to income generation and employment through its targeted interventions in selected markets across Nigeria. The main contributing positive factor in this project seems to have been the flexible approach by both DFID and the contracted implementing partner to modify and adjust the project's approach and expected results as more information became available on the market's response to the interventions. The PCR estimates that 1.26 million people have been impacted by the programme – more than 17,000 jobs have been created and more than £40 million of income generated during the programme duration.

#### Box 7: Synthesis study of DFID's strategic evaluations

The ICAI synthesis study on DFID's strategic evaluations finds that programmes within DFID do not usually have explicit 'theories of change' making it difficult to conduct robust, theory-based evaluation to determine DFID's contribution to particular outcomes. As a result, it is not surprising that some of the evaluations conducted for DFID have been considered to lack depth. One particular concern expressed about DFID's country programme evaluations is that they do not collect primary data. Several evaluations concluded that DFID's M&E are not sufficiently focused on impact.

Source: Drew 2011

Based on the sample selected, the EC appears to be implementing many of its AfT projects and programmes at the government level, engaging with ministries and other government agencies. As also noted by the 2012 EU AfT Monitoring Report, the EC is the largest donor of AfT. The EC is implementing a number of programmes through implementing partners, either through contribution agreements with other donors or international agencies (such as UNIDO).

The Action Fiches generally do not contain information or analysis on the possible intended or unintended poverty impact and analysis is focused on the activity and output levels. The logical framework analysis reveals that often the indicators used by the EC are not disaggregated by gender, and do not take possible impact on poor and excluded groups into account. Overall the projects and programmes in the sample do not demonstrate a pro-poor focus in the design of the programmes, and the intervention areas do not seem to be selected based on the expected greatest impact on these groups. In addition, the EC tends to implement large programmes at the national level with little focus on differences between regions at the national level. Instances where the intervention is targeting specific sectors (for example, with the Bangladesh BEST programme) little attention is paid to engaging the poor directly (for example, those outside of formal employment).

The NIPs are reviewed at mid-term, and changes to the programme indicators and budget allocations can be made at this stage. The focus of the review depends on the focal sectors identified

in the NIPs, and thus may include trade. In the case of mid-term review of the Bangladesh NIP, it was noted that the interventions lacked poverty focus, and that the economic activities should be more directly aimed at the poor. The revised country programme had planned to direct resources to activities that were aimed at pro-poor private sector development, working more directly with entrepreneurs at the grassroots level rather than solely focusing on interventions at the governmental level.

As the evaluation of one of the trade sector programmes conducted in Papua New Guinea notes, the lack of SMART indicators is a main deficiency of the logical framework, and “allows neither the specification of clear targets... nor... the suitable monitoring of progress towards those targets”.

### 3.3.2 Policy, strategy and thematic

The EC is currently conducting two global AfT-related evaluations (as mentioned above). The evaluations are expected to be completed by November 2012 and focus on the EU’s support to third countries over the period 2004 to 2010 (following up on an earlier evaluation in 2004, see box 8).

#### Box 8: Findings of the evaluation of EU’s trade-related assistance 1996-2000

The evaluation saw evidence of a positive impact of private sector support programmes in terms of expanding beneficiaries’ export capacities, promoting product or export diversification and enhancing foreign investment attractiveness. However, little information could be obtained on quantification of these effects. Positive outcomes were recorded in a number of projects aimed at improving the regulatory environment but it was not possible to examine their impact on the economic operators concerned. The evaluation found that trade-related assistance programmes seldom took cross-cutting issues into account in the design and implementation. In many cases, impact assessments that were undertaken, while estimating economic, environmental and social consequences, did not lead to the integration of cross-cutting issues at the programmatic level.

Source: ADE 2004

The 2012 evaluations are expected to assess the extent to which EC policies, strategies, programmes and projects have contributed to the achievement of the objectives and intended impacts. The evaluations will also look at the extent to which EC development assistance has been relevant, efficient, effective and sustainable in providing the expected impacts in supporting trade and private sector development in the third countries. The terms of reference for the evaluation, as well as any other material produced so far, are internal documents and cannot be shared (according to the EC).

DFID’s AfT Strategy has an M&E framework, but this is currently not being applied by DFID. The AfT projects and programmes are being assessed at the country level, on an individual project basis, rather than at the portfolio level. DFID is not planning to review the AfT portfolio at the moment, but is focusing on building the overall evaluation practice at DFID. DFID’s results advisors at the country level will be in charge of country programme evaluations, as opposed to centrally run evaluations.

## 3.4 Aid for Trade Global Review: case stories of poverty impact

As discussed earlier, the EC and DFID contribute to the OECD-WTO AfT Global Reviews by submitting case stories on their AfT-related activities, describing successes, challenges and lessons learnt. A number of the case stories describe projects and programmes with a focus on poverty impact. The text boxes below highlight some of the findings from the case stories submitted by DFID and the EC.

#### Box 9: Poverty impact of EU Aid for Trade interventions: Rwanda

The EU provided ‘Support to the Agriculture Sector in Rwanda’ between 2003 and 2010. This €24 million programme executed by the Rwandan government with support from the EU aimed at assisting the government of Rwanda in implementing its policies, notably in the agricultural sector (targeting specific value chains – coffee, tea and pyrethrum). The overall programme has achieved positive social impacts in terms of improvement in livelihoods, strengthening of cooperatives, increased purchasing power, technical capacity building, reinforcement of negotiation capacity, empowerment of women and reconciliation. In general, activities have involved at least 30-40% women. The number of direct beneficiaries totalled approximately 60,000 recipient farmers. An evaluation of the programme suggests: positive effects in terms of social impact; strong job multiplier effect and positive impact on wages; significant increase in yields; and, increases in production.

Source: OECD-WTO 2011a

#### Box 10: Poverty impact of EU Aid for Trade interventions: Vietnam

The EU-funded Multilateral Trade Assistance Project III (MUTRAP III) to Vietnam (2008-12) supports the capacity of the Ministry of Industry and Trade (MOIT) to deliver on its core policy-making responsibilities in the areas of trade and competition policy. The overall objective has been to assist Vietnam to implement the Socio-Economic Development Plan 2006-2010 (SEDP) and the Post-WTO Action Plan for Sustained Pro-poor Economic Growth through stronger integration into the global trading system. The project includes a component which focuses on improving the interaction and coordination of the MOIT with stakeholders to develop a coherent, socially and environmentally sustainable trade integration strategy. Indicators for this project include “inequality across regions and the income inequality are reduced” and “the reduction in poverty rate promoted by the trade-reforms”.

The project also considers cross-cutting issues at length. It states that Vietnamese trade policies and regulations should aim at maximizing the positive effects and minimizing the negative impacts on the environment as well as for animal plant and human health and safety. The project furthermore undertakes studies, which assess the environmental and social dimensions of trade integration. It assumes that increased growth and investment will lead to an increase in formal employment and could support increased public expenditures, ideally on social services. It is also mentioned that the interventions will also aim at ensuring that gender participation in all activities is on an equal opportunity basis.

A mid-term review of the project, conducted in 2010, notes that the impact of the project on SMEs (and businesses in general) is difficult to measure. Concerns have been raised that the business community’s needs are not addressed. Vietnam has seen increased integration in the world economy during the various phases of the MUTRAP project but the mid-term review concludes that the impact that this will have on poverty reduction and pro-poor growth is yet to be assessed. As part of the earlier phases, a number of impact assessments have been undertaken focusing mainly on the impact of trade agreements. These assessments do not, however, discuss the effects on poor and excluded groups, but rather focus on economy-wide effects. No impact assessment has been conducted for the project itself, and the issues are being discussed in the context of trade liberalisation more broadly.

The mid-term evaluation does note, however, that Vietnam’s accession in the WTO has generated more job opportunities, particularly in the labour intensive sectors (e.g. textile, leather shoes, etc.), which is assumed to benefit poorer groups of workers.

Source: OECD-WTO 2011b



### Box 11: Poverty impact of DFID Aid for Trade interventions: Southern Africa

The DFID-funded TradeMark Southern Africa's (TMSA) overall goal is "sustained rapid, inclusive growth and poverty reduction in the SADC and COMESA regions", and the purpose of the programme is "to improve southern Africa's trade performance and competitiveness for the benefit of poor women and men". Key objectives of the TMSA programme pertaining to social and environmental impact include:

- Raise the income of poor households by enabling small-scale producers to comply with regional supermarket and international standards
- Improve small-scale traders' incomes, particularly women, by enabling faster border crossings and implementing simplified regional trading rules
- Reduce carbon emissions by improving transport systems and shifting the movement of long-distance cargo from road to rail
- However, the evidence on the extent to which TMSA has achieved these objectives is inconclusive given the available documentation.

Source: OECD-WTO 2011c

## 4. KEY FINDINGS

Our preceding analysis of project and programme data, as well as processes, policies and strategies, has considered the extent to which DFID and EC assesses the effects of its AfT projects and programmes on poverty reduction and poor and excluded groups. In addition, the paper explores to what extent AfT projects and programmes are designed, in the first place, based on analysis of potential effects on poverty reduction and poor and excluded groups.

A summary of key findings are presented below, starting with some general findings from undertaking this assignment:

- There is very little publically available information on whether AfT projects and programmes are impacting on poverty. In terms of accessing information in order to undertake this analysis, project design documents are more readily available than monitoring reports, mid-term and full term evaluations. This is particularly true for the EC, which does not, for instance, publish its ROM reports publicly. DFID has committed to upload all key project documentation to its website from 31st July 2012 (for instance, logical frameworks, ARs and PCRs) however it is not clear whether this applies to full-scale evaluations.
- At present, DFID is not required to undertake project and programme evaluations. ARs and PCRs have to be conducted but these are more akin to monitoring reports rather than comprehensive evaluations, and are conducted shortly after the project has finished. It is only usually at the full evaluation stage where poverty impacts can be considered in any depth.
- Both DFID and the EC are moving away from using the term AfT, with DFID more inclined to refer to trade policy, facilitation, regional integration, infrastructure, etc. whilst the EC is reverting to trade-related assistance and private sector development.
- One key emerging finding is that both the EU and DFID have a range of policy documents, frameworks and policies which place poverty reduction at the centre. But particularly for the EU, there seems to be a gap between the strategic ambitions and statements on poverty reduction and the actual project and programme design, implementation and M&E.
- Many AfT projects and programmes may have only an indirect effect on poor and excluded groups and poverty reduction. Generally, poverty reduction is measured only at the goal level

(with macro-level indicators). At this level, attribution to the project activities is extremely challenging and, as a result, is typically not assessed.

- By and large, causal linkages between what a project delivers and the impact on poverty is based on a series of assumptions (and, in some cases, a leap of logic) unless the poor are direct beneficiaries of the project/programme. According to the last OECD-WTO Global Review, attributing trade outcomes and impacts to AfT programmes and projects presents the biggest challenge for donors.
- Most reviews are done within the lifetime (or at the end) of a project/programme and insufficient time has elapsed for the impact on the poor to be felt. Our analysis found no examples where DFID or the EC evaluated the impact of their projects/programmes a number of years after completion.
- In many cases, AfT projects and programmes focus on institutional strengthening and improving policy making (or negotiation) processes, with only long term, indirect impact on poverty. In these cases, the effects on poor and excluded groups (or on poverty reduction) are typically not assessed. In a theoretical and linear world, where results can be quantified along results chains, it may be possible to explore the linkages between AfT that supports, for instance, inclusive trade-policy making (through building the capacity of civil society) with the resulting trade reform outcomes and potential poverty impacts. However, the results chain and underlying theory of change and assumptions are long and complex, and in many cases simply not measurable (and it would be questionable to do so).

## 5. KEY RECOMMENDATIONS

Drawing on the analysis above, we recommend the following for DFID and the EC:

- Conduct more rigorous impact assessments, ex post and ex ante, to better understand the effects of potential and existing projects and programmes on poverty impacts, as well as trade outcomes. Poverty and social impact assessments should be more readily built into the design of projects and programmes.
- Greater accountability by donors is required through conducting and publishing robust evaluations. Donors should be required to undertake more regular thematic and programme and project level evaluations, that go beyond monitoring information, and which are independent.
- Donors should provide greater transparency of monitoring information and better quality data in order that more high-quality independent research can be conducted, and robust impact assessments and evaluations (ex ante and ex post). For instance, academic institutions would be able to use such data to conduct longer term more robust analysis that could inform sharing of best practice.
- Donors should develop more realistic assumptions, theories of change and intervention logics behind projects and programmes. This will require increased research and analysis linking activities and interventions, and outputs delivered, with the intended intermediate outcomes and outcomes, and ultimately impacts.
- Increase the direct targeting of AfT projects and programmes to the poor as direct beneficiaries.

NGOs can help achieve the above by lobbying for greater transparency and accountability through, for instance:

- Lobbying for greater transparency (e.g. on data) and accountability (e.g. on results)
- Undertaking more in-depth research to strengthen the evidence base of the impact of AfT on poverty reduction and better inform advocacy efforts on AfT
- Developing a network of key allies, including influencers, on AfT

The Annexes and project and programme analysis reports can be viewed in digital form by following this link:  
[www.traidcraft.co.uk/policyreports](http://www.traidcraft.co.uk/policyreports)



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## About Traidcraft

Traidcraft Exchange is the UK's only development charity specialising in making trade work for the poor. In collaboration with local partners we work to create opportunities for poor people to harness the benefits of trade, helping them to develop sustainable livelihoods. Traidcraft also aims to use the experience of its sister fair trade company, Traidcraft plc, to improve wider trade practices. Traidcraft's Policy Unit conducts research and advocacy work to improve trade rules and the practice of companies.