



Aid for Trade



Is the EU helping small producers to trade their way out of poverty?





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Aid for Trade

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Is the EU helping small producers to trade their way out of poverty?

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FOREWORD

The worldwide financial and economic crisis will likely have a serious negative impact on world trade, developing countries' economies, aid levels and the quality of that aid.

As donor countries are coming to the rescue of their national industries and banks with huge aid packages and an increased risk of protectionism, there is a growing concern that promises and commitments made to developing countries will once again not be met. Evidence shows that absolute levels of Official Development Aid (ODA) are declining, as it is indexed to the Gross National Product (GNP) of donor countries. However, most countries to begin with, were not even living up to the target of 0.7% of their GNP for aid. Now not only is there a risk of declining aid; but tied aid has become acceptable again, which runs counter to the promises made under the Paris Declaration.

'Aid for Trade' (AfT) is one such 'aid package' that risks being side-tracked and succumbing to the crisis. As a matter of fact, it has been controversial from the beginning. In the framework of the World Trade Organisation (WTO) Doha Round Negotiations, to avoid a deadlock of negotiations at the WTO Ministerial Conference in Hong Kong in 2005, industrialized countries committed to spend several billion dollars on AfT with the aim to help developing countries to benefit from trade and to overcome supply-side constraints. The European Union (EU) made in December 2005 a commitment to increase its collective annual spending on AfT to €2 billion every year by 2010. €1 billion of this will come from the European Commission and another €1 billion from EU Member States.

While civil society and developing countries remain critical of industrialised countries imposing trade liberalisation on developing countries, while using the bargaining tool of development aid, there is nevertheless no doubt that supply-side constraints pose major obstacles, particularly for small producers in developing countries. Measures that have a pro-poor focus could truly benefit poor and marginalised producers and their communities.

But how are these commitments implemented in practice by the EU? To what extent does the EU AfT support small producers in developing countries? Do policies and programmes correspond to their needs and effectively help small producers to overcome supply-side constraints and to benefit from access to open markets? Does the EU AfT encourage growth that is truly pro-poor?

This paper comes at a moment when there is a deepening of the crisis. This should be precisely the reason why commitments made towards a fairer international trade regime should be realised, and that promises to increase aid resources are made available for developing countries, in order to help them overcome supply side constraints on trade.

This paper also comes at an important time in the EU, when there will be many changes in Brussels, with the European Parliament elections and changes at the European Commission. It will be important to remind those who start their new term in the Parliament and at the Commission, of the commitments and promises made in the past.

THE OBJECTIVE OF THIS PAPER IS TWOFOLD:

To analyse data and information about past EU AfT funding with relation to small producers. This will be done looking specifically at four donors, the United Kingdom (UK), Belgium (BE), the Netherlands (NL) and the European Commission (EC) in the context of the EU's strategy on Aid for Trade and looking at six case studies of AfT projects funded by these donors. These donor countries were chosen because they have been active within the EU in regards to AfT commitments and inputting into the EU AfT joint Strategy.

It also provides a brief overview of the history of Aid for Trade and examines what small producers in poor countries would want this money to be spent on and what programmes could possibly be utilized to realise these demands. Though recognised as not a thorough scientific evaluation of past AfT data and information, we hope that interested policy makers can find some recommendations and examples of how AfT can be designed to help overcome poverty and build sustainable livelihoods.

EXECUTIVE SUMMARY AND RECOMMENDATIONS

The discussion on Aid for Trade (AfT) started towards the end of the World Trade Organisation's (WTO) Uruguay Round. The importance of trade for development was emphasised by the international community at the 2002 UN Conference on Financing for Development in Monterrey, Mexico. In 2005 the United Nations (UN) Millennium Project Task Force on Trade examined what developing countries could gain from the Doha Development Round and concluded that AfT was an essential part of the package and specifically recommended that such funding be additional to current aid flows. A dedicated WTO Task Force developed recommendations for AfT which were adopted by the WTO General Council in October 2006.

However, definitions of AfT still differ significantly, with donors focusing on a narrow definition which comprises of trade development and trade policy and regulations, while the WTO Task Force, in which developing countries had a strong voice, adopted a wider definition, including trade-related infrastructure, building productive capacity, trade-related adjustments and other trade-related needs. Given that different players refer to one or the other definition, it is difficult to measure the amounts spent in this area. A further obstacle in collecting data lies in the fact that the official databases are not completely reliable. Therefore the exact figures should be looked at with caution and should only be used as guidance. Pledges to increase spending are equally problematic, given that there is no certainty regarding the current level of funding in this area and

for which definition. For this research, data has been analysed exclusively for the European Union, particularly the European Commission, the Netherlands, the United Kingdom and Belgium.

These donors appear to start from the assumption that trade expansion and liberalisation leads to economic growth, which ultimately should reduce poverty. AfT is being pushed to help stimulate this growth. The EU joint AfT Strategy does also acknowledge that AfT should have a pro-poor focus.

It is important to keep in mind that, for growth to be pro-poor, it must benefit the poorest sections of society proportionately more than it benefits the better-off¹. More often than not, small producers are part of this poor section of society in developing countries and this is the sector that has been chosen as a focus in this paper. However, although the EU institutions have repeatedly acknowledged the strategic importance of small producers and their strategic role in alleviating poverty, it appears that this importance is neither reflected in the AfT policy approach nor in the reality of funding.

European Commission

The European Commission's (EC) main focus for AfT seems to be extremely large regional projects, supporting non-Less Developing Countries (LDCs) and supporting the top end of the production chain. This appears to be in stark contrast to the EC's information policy: In 2006, the Commission published a brochure about their activities in this area, presenting 14 case studies of EC trade-related assistance². 7 of these examples were supporting small producers. Another brochure, published in 2008, presented 18 case studies of EC trade-related assistance. In 8 of these examples, small producers and local market development were mentioned³. Both these documents give the impression that EC AfT helps particularly these groups. However, it has been found that between 2001- 2005 only 2% of AfT from the EC went directly to help small producers.

United Kingdom

While nearly 50% of past United Kingdom (UK) funding is open to small producers to benefit from, it seems from an evaluation into its past AfT activities that only a small number of projects had an explicit focus on poverty reduction and being pro-poor.⁴ Small producers were mentioned in a number of projects but there was no rationale of focusing on these groups and therefore in practice small producers may not be able to benefit from the aid in a meaningful way. 'This ambivalence may reflect internal discussions within DFID (Department for

International Development) on the benefits of adopting a broader enabling approach supporting mostly large producers who can more easily access foreign markets vs. a more focused approach developing the export capacity of small producers.⁵

The Netherlands

Although the Netherlands (NL) hints at the importance of supporting small producers and pro-poor growth, the government has a more pro-growth focus, encouraging the increase in overall exports. This also indirectly benefits small producers but only a few amongst a number of economic operators. As with the other donor strategies studied in this research, this lack of focus on small producers and encouraging pro-poor initiatives could leave them vulnerable due to lack of resources, to being left out of decision making processes and not being able to know about projects and programmes they could take advantage of.

Belgium

Having said that, some EU Member States have nevertheless put a special focus on small producers and local trade development in the past and have included them in their AfT strategies. In Belgium (BE), for example, small producers are one of the two priority groups and it seems that 14% of past AfT (2001-2005) was directly targeted at them.

Small producers experience numerous supply side constraints, and there are many interventions and pro-poor policy measures that could be created to help overcome these constraints and stimulate pro-poor growth. These range from support to developing and strengthening producer organisations, access to pre-financing and micro-financing to general policy changes that are supportive of small producers. Already there is a wide range of examples that could be used as best practices in how to develop pro-poor measures and as a way of helping small producers overcome their supply side constraints. This research focuses on a few case studies to draw attention to the wide range of projects that have been funded under AfT and to highlight that all four donors have at some point funded a few projects that support small producers even if the overall proportions are small. Impact assessments have found some of these projects to be successful: They show that support to small producers can increase their efficiency to trade, build local markets, empower entrepreneurs and help them to trade themselves out of poverty. As a recent study from the World Bank states, 'as far as formulating programmes during this time of economic crisis, local conditions matter a lot...Any kind of [aid] packages have to reach the local level in a way that people will have access.'⁶

RECOMMENDATIONS

General Policy

- 1** To help reduce poverty, encourage pro-poor growth and reach the Millennium Development Goals as objectives of AfT, any AfT strategy must be directed towards and benefit the poor sectors of societies. This means AfT should encourage local, national and regional market development and not only focus on enhancing export orientation. AfT must expressly address the production and trading constraints affecting the sectors and industries important to the poorest groups.
- 2** To make sure that small producers and communities benefit from AfT, they should be involved at all levels of decision making, including designing of projects that are not directly targeted at them. At present it is difficult to see how they are involved, apart from the small amount of projects that are directly designed for them. Otherwise, AfT projects could miss possible development impacts for this important sector or exacerbate negative outcomes.
- 3** It is important to focus on developing and uplifting supply 'value chains' with a pro-poor focus. This focus encourages all actors in the chain to build together a sustainable supply chain. Any AfT project should build a framework that encourages the development and support of all in the supply chain.
- 4** Following extensive consultations, this paper recommends that any AfT strategy should include measures that provide support to small producers through:
 - Developing and strengthening associations and cooperatives so they can build institutional and productive capacities. This support to cooperatives may enable smallholders to be empowered, increase awareness and participate in trade, e.g. through bulking and facilitating access to standardised EU markets, through advocacy and lobbying, through negotiating prices and through purchasing inputs in large quantities;
 - Access to pre-finances to help fund inputs and grants to work towards compliance with standards and regulations through micro-financing institutions and innovative financial services;
 - Access to pre-financing for the purchase of inputs and to trade financing for marketing purposes, via existing micro-finance institutions; as well as access to grants to improve compliance with standards and regulations;
 - Access to cost effective transport and improved infrastructure and technology;

- Access to information to monitor changes in processing and consumer demands in export markets, as well as importing channels, market price information systems, competition and business opportunities;
- A general policy change: national and regional policies that are supportive of small producers, Micro and Small Enterprises (MSEs) and the informal sector and that encourage the Fair Trade principles including fair wages, labour rights, and environment practices.

European Union

5 The EU's AfT strategy fails to address the needs of small producers. Even though the EU institutions have repeatedly acknowledged the strategic importance of these groups for sustainable development and overcoming poverty in developing countries, the strategy does not provide a basis for a pro-poor EU AfT approach. This is a missed opportunity, given that many EU Member States are still in the process of developing their own AfT strategies and should have been supported by a forward-looking EU approach. Therefore, the EU AfT strategy should be revised to include more systematic support to small producers and other poor sectors of society.

European Union Member States

6 Each EU Member State needs to develop a demand-driven AfT strategy with measurable targets that has a specific focus on empowering the poor population, especially small producers. The demands from small producers described in this research can be used as a basis of what is needed. Some EU Member States have supported small producers and local trade development in the past, such as the Belgian government, and have included them explicitly in their AfT strategies. These can be taken as benchmarks and a starting point for future strengthening.

Southern Governments and European Union Delegations in the South

7 Efforts should be made to ensure that small producers are truly represented at national stakeholder meetings when discussing issues such as trade and development. Many issues and constraints that they face are unique to them and their voice should be part of the development of further strategies and for the allocation of funds.

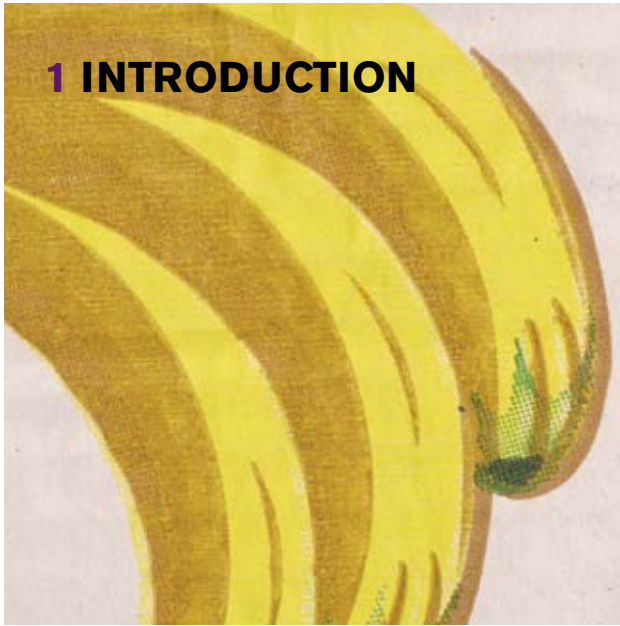
Methodology of Aid for Trade

8 The expansion of the definition of AfT reflects the priorities of developing countries. There needs to be an increase in volume of aid to the 'wider definition' of AfT, as requested by the WTO AfT Taskforce. These categories, specifically infrastructure and productive capacities, are also important for small producers to take advantage of and are part of the demands of small producers.

9 There needs to be clarity in the conceptual and operational dimensions of AfT. To be effective there needs to be a more specific definition with clear objectives and funding commitments for each of the categories. AfT needs more quantitative and micro-level monitoring and evaluation. The most effective forum for this clarity is the WTO.

10 There needs to be a more systematic collection of data that includes not only quantitative but also qualitative information. The most comprehensive database has still proved it difficult to get a full picture of past AfT spending. The categories are too loose, meaning that information in actual AfT spending could be misrepresented. The fact that this research had to develop its own categories shows this huge gap, and means that other researches will have to do this in future, leading to possible skewed results. There is a great need for transparency and accountability to go hand-in-hand with monitoring, that is conducted at all levels, and includes all stakeholders, with special attention to small producers.

1 INTRODUCTION



IN BRIEF: THE DEVELOPMENT OF AID FOR TRADE

AfT began to take shape towards the end of the WTO Uruguay Round. There is no mention of AfT in the WTO Doha Declaration (2001) which strengthened the development focus of trade and therefore is called the 'Doha Development Round'. However, as the talks progressed, there was a realization that the promised gains would not materialise. The importance of trade for development was emphasised by the international community at the 2002 UN Conference on Financing for Development in Monterrey, Mexico. In 2003, the International Monetary Fund (IMF) warned the WTO that preference erosion would have significant costs⁷. ACP and LDC⁸ countries have been enjoying duty-free access for their exports in key markets- such as the European Union - in the context of preference schemes aimed at encouraging export growth and economic development in poor countries. The multilateral removal of trade barriers, being pursued in the context of the WTO, would erode the price advantage that trade preferences confer and would expose countries whose exports rely on this advantage to fierce competition from more cost-efficient suppliers.

At the beginning of 2005 the UN Millennium Project Task Force on Trade, chaired by former Mexican President Ernesto Zedillo, examined what developing countries could gain from the Doha Development Round. It concluded that AfT was an essential part of the pack-

age and specifically recommended that such funding be additional to current aid flows. This UN Task Force not only explicitly mentioned AfT as an important tool but helped to define the terms in which AfT would be officially discussed in the WTO's AfT Task Force as they put together their recommendations for AfT.⁹ The WTO General Council adopted these recommendations by the WTO AfT Taskforce in October 2006.

On the eve of the December 2005 WTO Ministerial in Hong Kong, the EU, US, and Japan issued AfT pledges, promising additional support to developing countries to benefit from open markets. This has been seen as one of the many attempts to rescue the negotiations. WTO members included in their Hong Kong Ministerial Declaration a commitment to take actions to encourage AfT.¹⁰ Since this time, AfT has become more prominent on the international agenda and several donors have developed AfT strategies.

In 2007, there were three AfT regional reviews held in Africa, Asia and Pacific and the Caribbean, as well as a WTO AfT Global Review which brought together partner countries and donors, to take stock of what was happening on AfT. In 2009 the 2nd WTO AfT Global Review will take place.

THE AID FOR TRADE DEFINITIONS: WIDE VS NARROW DEFINITION

AfT refers to trade-related assistance to developing countries, to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalised trade and increased market access.¹¹ It responds to the fact that developing countries have not been able to sufficiently benefit from trade liberalization in the past. AfT tries to address supply side constraints, such as inadequate knowledge and implementation of trade rules and policy, and constraints to the development of the private sector, production capacity, infrastructure and human resources. AfT is also seen as making a useful contribution to achieving the MDGs, particularly Goal 8 - Develop a Global Partnership for Development - guided by the Paris Declaration on Aid Effectiveness.¹²

AfT has 'a wide' and 'a narrow' definition because of its history and politics.

The **narrow definition** of AfT refers to what was traditionally known as Trade Related Technical Assistance (TRTA). Its objectives are to increase exports of goods and services, to integrate into the multilateral

trading system, and to benefit from liberalised trade and increased market access. It responds to the fact that developing countries have not been able to sufficiently benefit from trade liberalisation in the past. Such AfT tries to address supply side constraints, such as inadequate knowledge and implementation of trade rules and policy, and constraints to the development of the private sector, production capacity, infrastructure and human resources. According to the Joint WTO/OECD Database, the narrow definition of AfT includes:

- Trade development (seeks to create a favourable business climate, and improve business support services and institutions).
- Trade policy and regulations (aims at ensuring effective participation of developing countries in multilateral trade negotiations and assisting these countries in the implementation of trade-related legislation).¹⁴

The AfT WTO Task Force in 2006 however, concluded that AfT should expand and comprise of a broader set of categories. It defined AfT as 'assisting developing countries to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalised trade and increased market access. Effective AfT will enhance growth prospects and reduce poverty in developing countries, as well as complement multilateral trade reforms and distribute the global benefits more equitably across and within developing countries'.¹⁵

This has been called the wide definition and includes not only trade development and trade policy and regulations but also:

- **Trade-related infrastructure** (including 'hardware' building roads and ports and 'software' policy and institutions)
- **Building productive capacity** (i.e. improving the capacity of a country to produce goods and services)
- **Trade-related adjustments** (including supporting developing countries put in place accompanying measures that assist them to benefit from liberalised trade)
- **Other trade-related needs**¹⁶

This wide definition includes support to economic infrastructure and productive sectors in the wide sense. These are efforts which are not necessarily focused primarily on the promotion of exports, but which support general economic development in partner countries.¹⁷ The expansion of the definition of AfT reflects the priorities of developing countries, which were represented in the WTO Task Force.

However, the commitments made to increase funds for AfT only concern the narrow definition of AfT, commitments made before the definition was expanded. Donors have limited funding commitments to the two original categories and seem reluctant to 'flesh-out' the additional categories, thus neglecting the priorities expressed by developing countries.

As this study focuses on past expenditure of AfT, it reflects the traditional definition of the 'narrow' definition. However, for the sake of clarity this publication will refer to the 'narrow' or 'wide' definition where necessary.

SMALL PRODUCERS AND AID FOR TRADE

'Growth is pro-poor only if the total benefits accruing to the poorest sections of society are proportionally higher than those benefiting the better off, i.e. if inequality is reduced'.¹⁸

Defining 'Small Producers'

It is not easy to define the term 'small' in this context. The Organisation for Economic Co-operation and Development (OECD) states that small producers 'are producers operating at a small scale, used to distinguish from industrialised producers. What is considered small-scale in one country or region may be considered large-scale in another'.¹⁹ Most small producers have diverse sources of livelihood including off-farm income.

For the purpose of this research, we have taken the Fairtrade Labelling Organisation's (FLO) understanding that small producers are 'those that are not structurally dependent on permanent hired labour, managing their farm [and/or business] mainly with their own and their family's labour force'.²⁰ We consider the term 'small producers' to include both farmers and off-farm micro and small enterprises.

Particular Socio-Economic Situation Of Small Producers

World wide, about 2 billion people make a living from small scale farming. Counting micro and small enterprises and artisans, this number increases enormously. In LDCs, more than 70% of the population gain their livelihoods from the agricultural sector and/or micro and small enterprises. They are the backbone of agriculture, food security and job creation in these countries. 'Micro, small [and medium] enterprises (MSEs) are the main pillar in countries of this region, [African, Caribbean and Pacific, ACP], given that, overall, the majority of the population is working there and their value added per employee in dollar terms is three to four times higher than in larger enterprises'.²¹

However, many face a wide range of constraints to expand production and trade. In the EU Council Conclusions on Advancing African Agriculture, the EU stressed 'the importance of targeting small-scale and family agriculture in agricultural development cooperation and the importance of focusing on women'.²² But investments have too often focused at the top end of the production chain i.e. getting goods to the export markets and the opening of markets. Whilst this is important, there has been a failure to support small producers to integrate into the supply chain and stimulate export producers to use local inputs. AfT should address this imbalance.²³

Trade and Poverty Link Weak In Past Aid for Trade

An evaluation of DFID's past AfT found that 'potential gains from trade liberalisation are not automatic or guaranteed. Reform must be pro-poor, carefully implemented in parallel with complementary policies that ensure new opportunities are maximized for everyone and risks are minimized, especially for the poorest'.²⁴ Though a pro-poor focus is emphasized in the current EU strategy, a study conducted by the Overseas Development Institute (ODI) on the EU's past AfT, found that poverty analysis in the context of AfT was limited and that there were ideological and disciplinary differences between trade and poverty experts. They explained that most donors seemed to be struggling with how to reconcile trade and investment promotion programmes with the development and poverty alleviation agenda. The message from the evaluation was that trying to seek immediate returns from AfT programmes for poverty alleviation is not the answer and could be counterproductive.²⁵ Even a World Bank evaluation to support trade reforms concluded that strategies to date 'do not always help enough to improve the job opportunities and living conditions of the poor'.²⁶

Aid that is targeted towards export orientated big-scale enterprises and industries only, leaves out the poorest groups and a significant proportion of small producers and traders (mainly women) for whom domestic or regional markets are more important. For example in Benin, only 10-15% of pineapples are sold to the EU, while 65% are sold to Nigeria and the rest, locally sold.²⁷ Regional markets are easier to reach for small producers, and it is easier to arrange favourable enabling environments. This export focus to try and gain quick wins to generate funds, risks creating adverse effects such as undermining local business and entrepreneurship, making food prices more volatile and increasing developing countries dependency on imports and a general risk to their long term security. As an African farmer said in a

recent meeting on AfT, 'the more we export, the poorer we get'.²⁸ The EcoFair Trade Dialogue study states, 'the rebuilding of a just and sustainable local and national economy should become the final aim of both trade and aid and people must come before distant and abstract ideas of 'global markets'.²⁹ In the most recent study by the World Bank takes this further and concludes that the focus of poverty reduction strategies must shift to increasing economic, social and political opportunities in the local communities where the poor live. These local opportunities include the provision of business know-how, basic access to health and education and the improvement of local governance.³⁰

Supply Side Constraints For Small Producers

There are constraints for most actors in a supply chain. Supply side constraints are wide ranging from the levels of health and education of the workforce to the state institutions and infrastructure to the production technology of individual firms.

For micro and small enterprises, some constraints include lack of access to affordable credit, low levels of human capital, supportive and cost effective transport, marketing infrastructure, business training and dealing with the obstructions and red tape of local bureaucracy and officials.³¹ The Industrial Development Organisation of the UN (UNIDO) stated at its general conference in December 2007, that micro and small enterprises 'lack productive capacities'. UNIDO further noted that 'an unfavourable financial situation with difficult access to loans, old technology with ill-equipped capital goods and inadequate managerial skills constitute the major constraints (at enterprise level)'.³² Typically in many developing countries, interest rates are in the order of 20-30%, a major burden for small enterprises that do not have access to international finance markets.³³ If there is access to international credit, this can be risky with the fluctuation of exchange rates. Corruption is a major constraint for many, as those that have access to power often are able to manipulate the market, such as fiddling with the exchange rate, monopolising import and export routes etc. There is also the risk of flooding of the market by overseas goods and competition of foreign brands.

For small farmers, some constraints include lack of long term investment by their governments and donors in their productivity over recent decades; lack of irrigation infrastructure, lack of storage capacity, limited access, affordability and quality of farming inputs such as tools, capital and technologies and lack of capacity building around for example, Sanitary and Phytosanitary

Standards which constrains their production and market access.³⁴ There are also multinational companies that run monopolies that rule the whole production i.e. seed companies, this constrains small producers in their whole production. There is also the insecurity of transactions (whether the buyer really buys at the agreed time and pays the agreed price, will the supplier really supply the agreed quantity and quality) and timely access to finances for inputs therefore many actors avoid taking risks. They also struggle to get their goods to market due to poor roads and lack of cost effective transport.

Generally, small producers have little influence in trade policy developments because they are left out and ignored by most governments in negotiations, development discussions and policy making. This makes it more of a disabling environment rather than an enabling environment for the small producers.³⁵ They have little or no access to information and are not part of or can not follow the pace of processes, so they find it hard to influence. This means that decisions, regarding trade policy to reduce poverty, are not made with small producers fully in mind. Trade policy needs to support down chain issues and development rather than just top-chain promotion. Another constraint found is that though there is good regulation and trade policy on paper, in practice there is little coherence between government ministries, causing inequality to grow and little money to implement.³⁶

Creating Sustainable Supply Chains

Focusing on developing 'value chains' with a pro-poor focus, enhances the goal of acquiring a sustainable supply chain. The focus should be to keep as much of the chain in-country as possible, whereas at the moment, most added-value is done in the North such as the EU. This could include supporting MSEs development, developing processing facilities and providing infrastructure beyond roads to technology such as mobile phones. It is essential to analyse the most important problems in the specific supply chain and to involve the various parties (ie. producers, processors, traders, government, consumers) in trying to solve problems. Links between actors in local, regional and international markets need to be made to develop cooperation to bring about the fairer distribution of know-how, prosperity and power. There are challenges but it is important to support the whole framework.

Many actors come from different ideological spheres; however, once in discussion common interests can be found and worked on to build a stable relationship. Linking of actors, means that small producers become

more aware and informed how the chain works and what is happening in the market. This can empower them to increase their voice along the chain.³⁷ One challenge is who will take the lead in facilitating this chain development and be pro-active. At the moment governments are not keen to support this framework because of their continuous support for the 'quick results, quick fix' export orientated development, as it takes time and patients to build a sustainable value chain. There is a lack of interest in small producers as a viable development option that can be scaled-up. Strong players of the private sector could participate through the Corporate Social Responsibility (CSR) process. It is also important to work with the end market actors, to encourage them to promote and demand products to make the supply chain more sustainable. It is recognised by those that are developing this framework that some supply chains can be more pro-poor than others. For example, wheat is mainly for large scale producers and not many small producers participate in this chain.

Strengthening producer organisations not only influences the supply chain and maximises production by realising scale, but also increases capacities to lobby towards governments, to balance the macro-economic trade policy developments that seem to have an adverse effect on small producers. Developing their empowerment is important for small producers to be able to deal with local power relations and possible corruption that occur at these levels. Empowering people and organisations increases their resilience to falling back into poverty.³⁸ Organising small producer organisations is difficult as many lack basic information, scale and financial sustainability. A lot of time is needed to build and develop these organisations. It is a challenge to find partners that have both the knowledge of international markets and products and also know something about organisational development (financial and management). Organisations such as ICCO and the Fair Trade movement, have found that focusing on intermediaries like Non-Governmental Organisations (NGOs), networks and medium sized businesses are more successful in advocating on behalf of small producers. They can be facilitators, playing a catalyst role in pushing for the demands of small producers including marketing, paying a fair price, exchanging experiences, improving working conditions, provide capacity building and trainings, arranging buyer contracts, information on the market and lobbying.

Access to micro-financing institutions and innovative financial services is extremely important for small producers. Banking infrastructure needs to be improved in

more remote rural areas, focus needs to be adapted to small enterprises, networks of micro-financing need to be strengthened as they can contribute to the sector by influencing policy, monitoring the performance within the sector, knowledge management, organising training programmes and promoting innovation. Developing financial instruments includes developing more risk capital funds with substantial scale and leverage and developing tools such as seed capital, guarantees to local banks and equity. Facilitating of financing, in whatever form, to make capital and rural capital market easier to access for micro-financing institutions, producer organisations and small producers.³⁹ A World Bank study insisted that 'though microcredit can help the poor subsist from day to day, in order to lift them out of poverty, larger loans are needed so that the poor can expand their productive activities and thereby increase their assets'.⁴⁰ Donors have focused AfT funding for microfinance in the past and this is important to continue. However, microfinance needs to be viewed as one of several policy measures and tools to add a pro-poor dimension to trade.

Pro poor policy measures for Aid for Trade⁴¹

Taking into account small producers supply side constraints and the need to focus on creating sustainable supply chains, there are several pro-poor policy measures that can be taken for AfT in aiding small producers:

- 1** Support to develop and strengthen associations and cooperatives so they can build institutional and productive capacities. This support to cooperatives may enable smallholders to be empowered, increase awareness and participate in trade, e.g. through bulking and facilitating access to standardised EU markets, through advocacy and lobbying, through negotiating prices and through purchasing inputs in large quantities;
- 2** Access to pre-finances to help fund inputs and grants to work towards compliance with standards and regulations;
- 3** Access to trainings and capacity building, especially around diversification of products, enhancement of the added value of a product and help to comply with standards and technical requirements for quality products, both for the local, regional and international market;
- 4** Access to cost effective transport and improved infrastructure and technology;
- 5** Access to information to monitor changes in process and consumer demands in export markets, as well importing channels, market price information systems, competition and business opportunities;

- 6** A general policy change: national and regional policies that are supportive of small producers, Micro and Small Enterprises (MSEs) and the informal sector and that encourage Fair Trade principles including fair wages, labour rights, and environment practices.

These measures for small producers can be translated into specific projects and programmes most which have been implemented before by NGOs, international organizations and governments. These programmes show promising results (please see case studies chapter for some specific examples).

2 OVERVIEW OF EUROPEAN UNION AID FOR TRADE STRATEGIES



This chapter begins with an overview of current global commitments on AfT, followed by an introduction to the EU AfT policy framework and a description of past and present strategies and a brief analysis of past AfT funding of the European Commission (EC), United Kingdom (UK), Belgium (BE) and the Netherlands (NL).

If not mentioned otherwise, all figures are taken from the Doha Development Agenda Trade Capacity Building Database (TCBDB) even though, as explained in the methodology chapter, the data is not completely reliable and based on the narrow definition of AfT (Trade Related Technical Assistance).

AID FOR TRADE COMMITMENTS OVERVIEW

According to the OECD, between 2002 – 2005 donors committed on average US\$ 21 billion per year on aid categories that are closely linked with AfT⁴². This included US\$ 11.2 billion to build economic infrastructure, US\$ 8.9 billion to promote productive capacities (including US\$ 2 billion for trade development), and US\$ 0.6 billion of trade policy and regulations. The average share of AfT in Official Development Assistance (ODA) was around 34% (2002 - 2005). By 2007 this had fallen to 31.8%, representing 1/6th of the total of all development assistance. Total AfT grew by US\$ 4.4 billion to reach US\$ 25.4 billion in 2007.⁴³ However, there are especially large variations across countries. In volume the EC and the World Bank are the largest donors⁴⁴.

51% of these funds went to Asia, 30% to Africa, 7% to Latin America and the Caribbean, 5% to Europe and 1% to Oceania. Seven out of ten AfT receivers were Asian countries and most AfT went to lower middle income countries (36%)⁴⁵. Most of the increase by 2007 went to support infrastructure programmes in Sub-Saharan Africa, therefore Africa is now the biggest receiver of AfT.

The EC as a whole made commitments of more than 7 billion euro in 2006 and 2007 for the wide definition⁴⁶. There are major differences between the contributions by the Member States. The edited table below shows what donors for this research (BE, UK, NL and EC) spent between 2001 - 2006 for AfT. The other big donors of AfT in the EU are France and Germany.

To reach the annual 1 billion euro (US\$ 1,47 billion), by 2010 efforts must be sustained and increased by almost 56%. Only 5 countries (Belgium, Czech Republic, Spain, Finland, Ireland and Lithuania) provided forecasts to the EC, indicating they would increase their amount of AfT spending by 2010⁴⁷.

TABLE 1

Support for AfT 2001-2006 from EC Monitoring Report 2008 in Millions Euros⁴⁸

TRA euro	2001	2002	2003	2004	2005	2006	Total 2001-2006	% of EU total 2001-2006
BE	9.89	8.05	51.09	38.64	26.81	23.71	158.20	2.0
NL	44.68	54.58	125.27	65.19	76.16	195.24	561.12	7.1
UK	79.95	49.17	76.17	38.56	64.00	77.08	384.92	4.8
EC	912.44	755.00	922.52	958.06	983.46	940.90	5472.38	68.8

EUROPEAN UNION POLICY FRAMEWORK

In October 2007, the EU Council adopted a Joint Strategy paper, 'Aid for Trade: Enhancing EU support for trade-related needs in developing countries'⁴⁹. The strategy states that AfT should work to maximize development gains and contribute to the achievement of the MDGs. It lays out how the EU will operationalise its commitments. The 2 billion euro pledged by the EU will be shared between the EC and the EU Member States (each one billion euro) and will be spent on the first two categories of AfT, the narrow AfT definition of trade development and trade policy and regulations. The strategy states that the EU recognises the other categories and that funding will be found for them 'in coherence with overall increases in ODA'. The EU has made it clear that AfT is not an additional envelope of aid but is part of the increase in ODA. It makes specific reference to the fact that AfT should be 'owned' by developing countries, drawing up their own AfT priority areas, sometimes through AfT national committees.

Many EU Member States have recently developed specific national strategies or issued new instructions on AfT. According to the EC's AfT Monitoring Report⁵⁰, at the end of 2007, 20 out of 27 EU Member States had on-going cooperation activities in the field of AfT. The report classifies EU Member States into 3 different categories according to their progress in the implementation strategy. Members of the first group are considered well advanced in applying most of the recommendations set out by the Council (The Netherlands, United Kingdom, France, Germany, Finland, Sweden and the Commission itself). It accounts for about 75% of EU Member State assistance, and when including the EC, it accounts for 83% of the total EU assistance. This shows that most EU Member States are not or little engaged in the AfT agenda. It is envisaged that in the years ahead, the Member States and the EC will devise joint strategies for countries and regions on AfT⁵¹. The EU both in its AfT strategy and the Implementation matrix (2008), has a priority area to 'develop and exchange information regarding best practice'⁵². However, according to the Overseas Development Institute (ODI), EU officials lack concrete information about successful AfT strategies⁵³.

European Union Strategy and Small Producers

Small producers have been mentioned in different policy papers of the EU. The EU Council has not only recognised the relevance of small producers but also clearly said that 'considering that the livelihood of the great majority of the poor in Africa depends on agriculture, small-scale farmers need to be assisted'⁵⁴. For Africa,

the Council has detailed the areas of investment, including 'the development of safe and scientifically tested agricultural innovations; improved market access, first and foremost to local, national and regional markets but also to international markets; improved value-chain management; strengthening farmers' organisations; improved land-tenure conditions; enhanced access to micro-credit and appropriate safety nets, specifically targeted for vulnerable groups.'⁵⁵ The Council therefore recognises the needs of small producers and links explicitly with the issues discussed earlier, regarding the need to create sustainable supply chains.

But in the EU AfT joint strategy, which was agreed by the same body (the EU Council) just one month earlier to those of the Conclusions of Advancing African Agriculture, there is hardly any reference to small producers. Under the section on 'enhancing the pro-poor focus and quality of EU AfT', the strategy briefly mentions the need for supporting community based organisations and local ownership, and that civil society will have a role in trade needs assessments and building action plans. Small producers are mentioned specifically only twice, related to specific activities, with no strong emphasis on their overall importance to overcome poverty reduction and build sustainability.

EUROPEAN COMMISSION

European Commission's Past and Future Aid for Trade
The EC assumes that to tackle poverty, there is a need for increased liberalisation and increase in world trade flows, according to market rules. This is the underlying assumption of the EU's AfT Strategy. From 2001 - 2004 the EC allocated on average 880 million euro (US\$ 1,141 billion) per year to Trade Related Technical Assistance (TRTA) and in 2006 this came to 940 million euro (US\$1,219 billion), i.e. almost 10% of the total EC aid⁵⁶. Past AfT has not appeared separately in the EC budget but was channelled through geographical or thematic budget lines. This has caused difficulty in finding out how much funds the EC has spent on AfT in the past. DG Development, as well as DG Trade and EuropeAid work on all areas of the strategy.

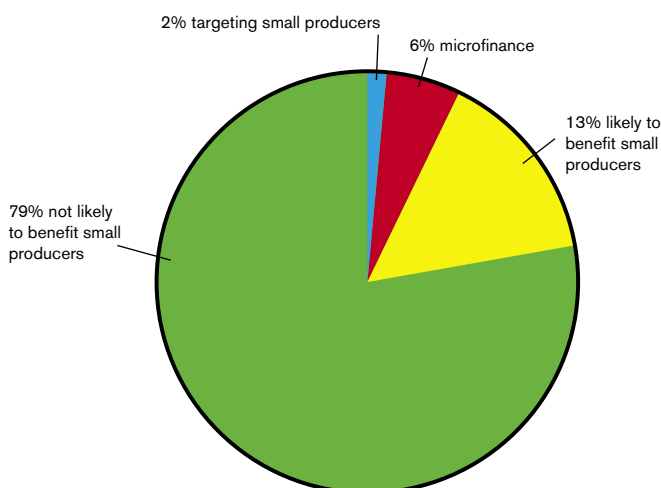
The EC's development cooperation operates on the basis of multi-annual national and regional programming documents, which are based on the priorities of the partner countries. It seems, however, through specific guidelines, partner countries are required to ensure the integration of particular concerns of the EC policies, such as linking trade and development, good governance and the increased focus of trade itself. An ODI

publication (2006) that critically assessed the EU's Trade Related Assistance (TRA), pointed out that many projects 'reflect the agenda of the agencies providing the assistance, not the developing countries interests, which prevents the developing countries from politically owning the programmes of support'⁵⁷. In the EC AfT Monitoring Report 2008, it reported that the EC had only included poverty and gender concerns in trade needs assessments and subsequent action plans in about 25% of the countries for which its country delegations responded to the questionnaire⁵⁸.

Breakdown Of The Figures From The Database

According to our study of the TCBDB database, between 2001-2005 the EC spent approx. US\$ 6 billion on AfT. 2% went to projects directly targeting small producers. The total amount in this category was US\$100 million, split between 44 projects, mainly implemented in Latin America and South Africa. A few projects took up nearly 56% of the funds; the rest received extremely small amounts of a couple of hundred thousand US dollars each. Around US\$358 million went to 33 projects about microfinance and low interest loans, which makes 6% of the total AfT funding. The main countries receiving microfinance were 'economies in transition'. 13% of the funds were allocated to projects 'likely to benefit small producers', amounting to US\$793 million for 117 projects. There were 954 projects amounting to US\$4 billion that were allocated to the category 'not likely to benefit small producers'; these received 79% of the total. Most of these funds went to the Balkans, Turkey, Romania and Russia.

FIGURE 1
Breakdown of EC AfT funding



Conclusion

The EC's main focus for AfT seems to be extremely large regional projects, supporting non-LDC countries and supporting the top end of the production chain. This appears to be in stark contrast to the EC's information policy: In 2006, the Commission published a brochure about its activities in this area, presenting 14 case studies of EC trade-related assistance⁵⁹. 7 of these examples were supporting small producers. Another brochure, published in 2008, presented 18 case studies of EC trade-related assistance. In 8 of these examples, small producers and local market development were mentioned⁶⁰. Both these documents give the impression that EC Aid for Trade helps particularly these groups. Even though the EC recognises the importance of small producers and their strategic role in alleviating poverty, this seems to be neither reflected in the policy approach nor in the reality of funding.

THE UNITED KINGDOM

United Kingdom's Past And Future Aid for Trade

The UK approach is based on the assumption that trade expansion and liberalisation leads to economic growth, which ultimately should reduce poverty. In 2007 a new Trade Policy Unit was formed to bring together trade teams in the Department for International Development (DFID) and Department for Business, Enterprise and Regulatory Reform (BERR). AfT is seen as a framework rather than a new sector or programme. This is similar to other Member States strategies including the Netherlands.

The UK evaluated their AfT in 2004 and found that it primarily focused on knowledge building, trade policy development, trade regulations and some trade development. The evaluation found, amongst other things, that DFID's interventions had been effective especially in the areas of building developing countries' knowledge about the WTO and the trade negotiations, and in expanding their capacity to develop a more inclusive and poverty reduction sensitive trade policy dialogue, trade policy and trade practice⁶¹. Only a small number of projects had an explicit focus on poverty. Small producers were mentioned in a number of projects but there was no rationale of focusing on these groups. 'This ambivalence may reflect internal discussions within DFID on the benefits of adopting a broader enabling approach supporting mostly large producers who can more easily access foreign markets vs a more focused approach developing the export capacity of small producers'⁶². This evaluation has been the basis for the UK's AfT strategy which was published in 2008⁶³.

The UK emphasises the need for donors and partners to pay more attention to integrating trade and growth into development plans. The strategy has four elements: 1) building partner country capacity to trade through growth and competitiveness strategies 2) ensuring trade results in poverty reduction and inclusive growth; 3) facilitating regional trade and integration, including special needs of ACP in relation to EPAs and 4) building an international system that delivers more and better AfT (e.g. Improving monitoring and evaluation)⁶⁴. However, the UK government insists that decisions on focus will, in the end, be taken in the partner country⁶⁵.

According to the EC Monitoring Report 2008, DFID has been a leader in bringing a poverty focus to trade issues and in assisting governments in their efforts to include poverty and gender concerns into trade needs. It seems that this report has a different conclusion than the evaluation of 2004. The UK is 1 of 5 Member States that claim they have assisted governments in their efforts to include environmental, social and economic sustainability concerns into national trade strategies. The UK has even taken the lead role along with Sweden, in the 'EU working group on poverty reduction and AfT' which aims to strengthen the pro-poor focus of the EU AfT Strategy.

The UK allocated 2.4% of its ODA to AfT, spending around 273 million pounds (US\$ 397 million) between 2001 - 2006, averaging around 45.5 million pounds (US\$ 65 million) a year. Africa received the largest share of this⁶⁶. Most of their AfT is delivered through multilateral agencies such as the World Bank. Also, bi-lateral assistance was increasingly given through budget support or other country level pooled assistance arrangements rather than through small scale bi-lateral projects. In November 2007, the UK announced that their AfT expenditure will be around US\$750 million by 2010, an increase of 50%, including trade related infrastructure and related contributions to multilateral agencies⁶⁷.

Breakdown Of The Figures From The Database

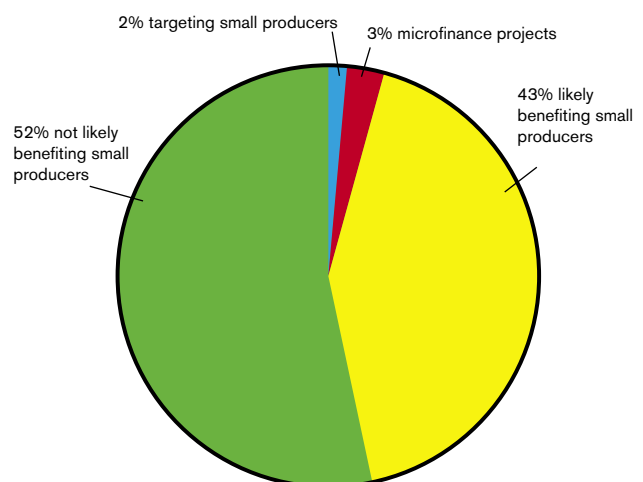
According to our study of the the TCBDB database between 2001 - 2005, the UK government spent approx. US\$428 million on the narrow AfT agenda. Of this, 2% of projects directly targeted small producers. This amounted to 29 projects with combined funds of approx. US\$7 million. 24 projects accounting for US\$11 million went to microfinance projects which made 3% of total AfT. Projects that were 'likely to benefit small producers' received 43% of the total, with 108 projects receiving approx. \$183 million. This large amount reflects the UK government's preference to give

substantial amounts of funds to a few large programmes which then disperse the money to smaller projects. This is mainly because of staff cuts in the government which has meant a shift to projects that are more manageable for London and country office based staff. Indirectly, some of this money benefits small producers but they were not specifically targeting small producers and local trade development. Projects that were 'not likely to benefit small producers' amounted to 52% of the total, 417 projects with \$225 million.

Conclusion

While nearly 50% of past UK funding is open to small producers to benefit from, it seems from an evaluation into its past AfT activities that only a small number of projects had an explicit focus on poverty. Small producers were mentioned in a number of projects but there was no rationale of focusing on these groups and therefore in practice small producers may not be able to benefit from the aid in a meaningful way. 'This ambivalence may reflect internal discussions within DFID on the benefits of adopting a broader enabling approach supporting mostly large producers who can more easily access foreign markets vs a more focused approach developing the export capacity of small producers'⁶⁸. Also projects that were directly targeting small producers was 2% of the overall funding, the actual figure was US\$7 million, a substantially lower amount than any of the other 3 donors.

FIGURE 2
Breakdown of UK AfT funding



BELGIUM

Belgium's Past and Future Aid for Trade

The Belgium government's stance is based on the assumption that sustainable economic growth is one of the main pillars of poverty reduction. To achieve this, trade is seen as an important aspect, specifically focusing on the production sectors. The Belgium government has developed an AfT strategy, based on the wider definition, which is being implemented since 2008. An informal assessment of their previous AfT found that aid had not been allocated in a structural, well considered way and that AfT was not concentrated on the 18 Belgian partner countries, but mostly went to North Africa⁶⁹. According to the new strategy, all future development projects should have an AfT dimension. The Belgian strategy has advanced 2 priorities: A) institutional support (negotiating capacities, institutional cooperation at bilateral, multilateral and regional, and basic infrastructure) and B) support to local, sustainable agricultural enterprises and to small and medium-sized enterprises. The strategy describes the constraints to the priority areas and suggests possible interventions.

In the past, Belgium's AfT strategy did not mention small producers explicitly, though there has been substantial support towards NGOs who work with such groups. This has changed with the new strategy where one of the two priority areas are specifically dedicated to small producers. Possible future interventions include supporting agriculture and small scale farms, Fair Trade, micro-financing and support to small and medium enterprises⁷⁰. According to the AfT Strategy, Belgium will focus on enhanced cooperation with donors who have the necessary competencies, rather than increase their overall AfT funds. This is in divergence with other reports (EC Monitoring Report, 2008 and the Aid for Trade at a Glance 2007) that have said the Belgian government will increase AfT.

In 2005, Belgium spent 5% of its ODA on AfT (wider definition)⁷¹. AfT has been implemented mainly by what the Belgium government refers to as 'others' (75%), with 55% channelled through BIO (see below) and through small-scale interventions (micro-credits, agriculture, Fair Trade) and 20% has been channelled to NGOs. Multilaterals and bilateral cooperation both have received 12%. The Fair Trade Centre⁷² was also added as an extra channel of AfT that provides assistance to small producers (1 million euro a year). By deploying AfT through these specialised agents and by focussing on small-scale interventions, the Belgium government aims at bringing the needs from the ground and the communi-

ties into realistic and feasible projects that should have long term impacts at the local level. As the providers of the projects are close to the ground and the people, the projects are more likely to correspond to the needs at the local/ regional level and the demands of the people.

A substantial amount of Belgian AfT funding goes through BIO, the Belgian Investment Company for Developing Countries, which promotes strong private sector involvement on behalf of the Ministry of Development Cooperation. BIO is a Development Finance Institution established in 2001. Its mission is to promote and to support the private sector in developing and emerging countries through direct and indirect investments, by providing long-term financing to SMEs and microfinance institutions. BIO works on two legs; one - its main area of work - is supporting regional and local intermediary structures (banks, investment funds) with a mission to support SMEs and microfinance institutions. The second is an SME fund that directly supports local SMEs up to 700.000 euro. In doing so, BIO is the only development finance institution in Europe that directly supports SMEs. As BIO received such a large amount of funding from the Belgium government, it was decided to create its own category. In relation to the researcher's categories, many of its projects are 'likely to support small producers', but it was beyond the scope of this study to analyse all projects to determine how many should go under this category.

Breakdown of the figures from the database

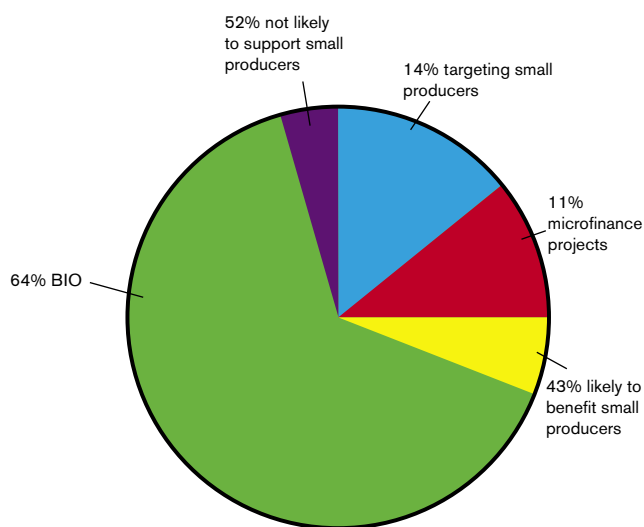
According to our study of the TCBDB database, between 2001-2005 the Belgium government spent approx. US\$221 million on the narrow AfT agenda. Of this, 14% directly targeted small producers which amounted to US\$30 million being divided between some 200 projects. Microfinance projects received US\$24 million for 98 projects, 11% of the total. The category 'likely to benefit small producers' received 7% of the total composed of 89 projects to a total of US\$15 million. BIO received 64% of the funds, which was approx US\$140 million for 114 projects. As described above, many of BIO's projects could fall into the category 'likely to support small producers' which would increase this category substantially. The amount that went to projects 'not likely to benefit small producers' was US\$8 million for 54 projects, or 4% of the total.

Conclusion

The Belgian government's policy seems to favour small producers more than other countries analysed. Even before developing a related policy, it seems that it spent nearly 15% of AfT directly targeting small producers

(over 200 projects) and indirectly nearly 30% (through the added categories of 'microfinance projects' and 'likely to benefit small producers'). This calculation does not even include projects under BIO, many of which are also likely to fall under this category. The recently developed Belgian AfT strategy further emphasises this focus. It highlights the importance of small producers and appears to go far beyond the European Consensus on Development and the EU joint AfT strategy. Small producers constitute one of the two priorities for the Belgium government for future AfT spending and there is a clear strategy for implementation. This is because the government aims at bringing the needs from the ground and the communities and builds them into realistic and feasible projects that should have long term impacts at the local level.

FIGURE 3
Breakdown of BE funding of AfT



THE NETHERLANDS

The Netherland's Past and Future Aid for Trade

The Dutch government's approach is based on the assumption that trade expansion and liberalisation leads to economic growth, which ultimately should reduce poverty. It does focus more on the need to encourage the promotion of redistribution of income in favour of the poor. In 2005, the Dutch activities in AfT were evaluated by an external agency⁷³. The main conclusions of this evaluation, which assessed TRTA, i.e. the AfT narrow definition, were that it proved un-transparent and ineffective to channel funds through large organisations such as UNCTAD. There was weak commitment and involvement by civil society and the private sector to the country ownership of large TRTA programmes such as the Integrated Framework and Joint Integrated Technical Assistance Programme (JITAP). Providing funds to small and single issue organisations like small NGOs/IGOs was proved to be more effective.

Based on this evaluation, an AfT policy document was developed in 2008 as a basis for its AfT strategy⁷⁴. The Netherlands' AfT strategy is based on the following objectives 1) AfT must contribute to the achievement of the MDGs - in particular 1 and 8 - by 'encouraging sustainable economic growth and promoting redistribution of income in favour of the poor'; 2) there must be sustainable growth; 3) to work with other donors to be more effective; 4) that a significant amount of ODA is spent on AfT and 5) trade and growth is incorporated into development strategies⁷⁵.

The Dutch government spends at least 550 million euro (US\$713 million) per year for AfT (wider definition). The amount is divided between trade policy and regulations (39 million euro); building productive capacity including trade development (291 million euro); and infrastructure (155 million euro). It has not made any additional AfT pledges since the WTO Ministerial in Hong Kong but will sustain their existing commitment levels⁷⁶. It is firm to point out that this is because it is already meeting the 0.7% ODA target and will not increase their levels of aid until other EU Member States reach these committed targets. However, the strategy does indicate that the level of AfT might increase over the next few years because AfT ties with the key themes of Dutch development cooperation of growth and sustainable energy.

The strategy specifies activities and responsibilities and gives some baseline information on AfT. It stresses that the work is demand-driven and mentions a number of approaches including the Enhanced Integrated Frame-

work and Corporate Social Responsibility (CSR). The Netherlands will work within the EU Joint Strategy on a number of areas and theme-based working groups, including on trade policy and regulations; agriculture (with a focus on pro-poor rural development that ties with the EU policy on Advancing African Agriculture); transport and storage and energy generation and supply which will dovetail with the EU Energy Initiative for poverty eradication and sustainable development⁷⁷.

The EC Monitoring Report 2008 states that along with the UK, the Netherlands has assisted governments in their efforts to include poverty and gender concerns in trade needs. The Netherlands state that it is 1 of 5 Member States that have assisted governments in their efforts to include environmental, social and economic sustainability concerns into national trade strategies⁷⁸.

Breakdown of the figures from the database

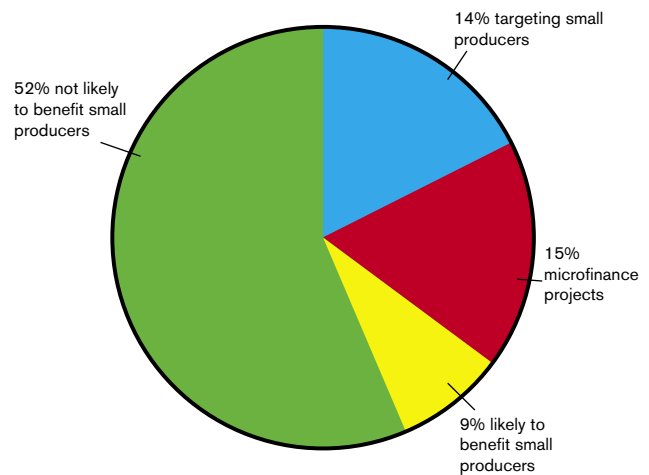
According to our study of the database between 2001 - 2005, the Dutch government spent approx. US\$638 million on the narrower AfT agenda. Of this, 14% directly targeted small producers amounting to approx US\$87 million for 45 projects. Microfinance projects numbered 15 projects and received US\$93 million, accounting for 15% of the total AfT funds. For projects that were under the category 'likely to benefit small producers', there were 67 projects amounting to US\$54 million. This made 9% of the total. Projects that were 'not likely to benefit small producers' received 62% of the overall funds. This consisted of 357 projects that received funds amounting to US\$403 million.

Conclusion

The Dutch AfT strategy doesn't explicitly highlight small producers, but hints at their importance. It appears that a sizable amount of AfT has been targeted at small producers – US\$87 million - 14%, a similar percentage as Belgium. However, the Dutch government seems to have spent much more per project than in the case of Belgium. Dutch government officials working on AfT consider that AfT and its objectives have been part of their development cooperation for years and hence they do not believe they need to change or add to their own processes. What they will do is re-categorize existing aid commitments to fit into AfT.

FIGURE 4

Breakdown of NL AfT funding



CONCLUSION OF THE OVERVIEW OF EUROPEAN UNION AID FOR TRADE STRATEGIES

The EU joint AfT Strategy acknowledges that AfT should have a focus on being pro-poor. As explained earlier⁷⁹, for growth to be pro-poor, it must benefit the poorest sections of society proportionately more than it benefits the better-off.

Small producers are, amongst the poorest in developing countries societies. However, although the EU institutions have repeatedly acknowledged the strategic importance of small producers and their strategic role in alleviating poverty, it appears that this importance is neither reflected in the AfT policy approach nor in the reality of funding.

Having said that, some EU Member States have nevertheless put a special focus on small producers and local trade development in the past and have included them in their AfT strategies. In Belgium, for example, small producers are one of the two priority groups and it seems that 14% of past AfT was directly targeted at them. This is not the case of the UK and the Netherlands, though, whose governments have a more pro-growth focus encouraging the increase in overall exports. This lack of focus on small producers could leave them vulnerable due to lack of resources to being left out in decision making processes and not being able or know about projects they could take advantage of.

3 CASE STUDIES OF PAST AID FOR TRADE INTERVENTIONS



This section looks more in-depth at six case studies of AfT projects funded by the EC, UK, BE and NL. For details on the methodology please refer to Methodology of Research chapter.

Six case studies were selected to give a brief glance at the wide range of interventions funded under AfT by different donors. Some interventions specifically target small producers. The impact assessments we revised show that interventions with a pro-poor focus targetted at small producers increase their capacity to trade, build local markets, empowers entrepreneurs and eventually help them trade their way out of poverty.

EUROPEAN COMMISSION SUPPORT FOR ORGANIC AND FAIR TRADE COTTON IN MALI

Since 2002, several donors⁸⁰ have supported a project for promoting organic Fair Trade cotton in Mali, to improve the livelihoods of small producers and to increase the amount they receive for their crop. The TCDBD database states that the funds the EC is giving for the project is US\$ 894,000⁸¹. The programme has been extended into phase II (2007-2008) because of the growing demand of organic cotton on the world market.⁸²

Why and for who?

The main aim of the programme is to improve the living conditions of the population in the Kolondieba, Yanfolila and Bougouni regions in Mali. The overall aim is to promote organic farming because it brings more

TABLE 2

	EC	NL	UK	BE	EC	NL
TITLE OF PROJECT	Support for organic and Fair Trade cotton	Programme for Cooperation with Emerging Markets (PSOM)	Micro Enterprise Development Programme (MEDEP)	Support for small producers	PHARE, ISPA, SAPARD (support for candidate countries) + CARDS (Western Balkans)	Fair market entry
COUNTRY OF OPERATION	Mali	East Europe, Africa, Asia, Latin America	Nepal	Ecuador	EU candidate countries, Western Balkans	Asia, Africa, Latin America
AMOUNT US \$	725,000 (2007-2008)	200 million (1998-2009)	2 million (from 2008)	922,000 (2003-2007)	1000 million (2000-2006); 200 million PHARE; 800 million CARDS	2 million (since 2005)
BENEFICIARIES	60 farmer co-operatives, with a total of 8879 producers	Examples: Vietnam: Wassemburg & Co BV (Dutch company) Ghana: Unilever Research and Development	27,532 small producers	578 families + 2900 producers	Acceding countries and Western Balkans	COFTA: 90 producer organizations, IFAT LA: 45 producer organizations, AFTF: 90 producer organizations

revenue to the farmers, saves on the costs of fertilizers and pesticides and protects their health and the environment. The aim is to increase the producers' revenues by a minimum of 20% through certification and by intensifying and diversifying the farming. It gives producers a chance to organize themselves in cooperatives and common platforms which gives them a space for influencing politics in Mali and initiating social projects with the additional income⁸³.

The project supports individual producers of organic Fair Trade cotton and approximately 60 farmer co-operatives in the sector. In terms of increased income it supports also the families of the producers. It has a special focus on empowering women (30% of farmers).

Focus is also set on MOBIOM⁸⁴, which gathers co-operatives together and will progressively become the key actor in the sector. The final aim of the programme is to strengthen MOBIOM so that it can in the long run take responsibility of monitoring the production⁸⁵.

'The production of biological cotton in Mali, thanks to financing from the Mission of the European Commission to Mali, is a project which deserves to be supported. Helvetas' team, which is directly in charge of its implementation is deeply involved and the EC delegation in Mali has established very good relationships with this NGO' (Carole Rieff, Head of the programme 'Food security', European Commission Mission to Mali)

Impacts

By the year 2007, 4445 producers were included in the programme, in comparison to 174 in 2002⁸⁶. In the same year farmers sold their cotton for 238 CFA francs⁸⁷ per kilo compared to the international market cotton price of 160 CFA francs per kilo⁸⁸. During the years 2006-2007, 15 storage rooms and two schools in 17 villages had been founded⁸⁹.

Organic farming was also promoted through workshops and active handout of compost bags, which secured that more than 80% of the fields were organically fertilized. For the sake of intensification and diversification, other products have also been cultivated such as sesame seeds and shea nuts.

'The number of women active in traditional cotton production was one per cent. We are nearly at 40 per cent,' Nguiro, MOBIOM's technical director

MOBIOM has contracts with Swiss product distributors such as Migros, Switcher and Reinhart⁹⁰. Through its international partners, MOBIOM is informed about market developments in the international market. Research has also been done on the national market of organic products and it has indicated at least five profitable national markets for the products. In addition, currently five Malian crafts cooperatives are using the cotton for their products, such as shirts, trousers and table cloths. These products are sold in Mali as well as being exported⁹¹. The EC's delegation in Bamako has been satisfied with the project⁹².

'Since I have been cultivating organic cotton I have enough to live on and can send my children to school,' Yvette Cissé, a small producer

How the project matches with the possible ro-poor policy measures for Aid for Trade

The programme matches widely the possible pro-poor policy measures for AfT that are mentioned in this researches' recommendations. It supports the development and strengthens cooperatives so that they can build their productive capacities. It gives producers access to trainings and capacity building, concerning technical matters, diversification, enhancement of added value and so on. All this helps producers to comply with standards and technical requirements that secure the quality of the products both regarding European markets and the local and regional markets. Providing low cost transport is not an explicit aim of the programme but transport issues have been tackled by the procurement of motorbikes. In addition, the programme has also provided the producers a way to access information about the demands and prices in the export market. Finally, the programme has also supported the cooperatives' engagement in influencing national policy-making, with the aim of promoting the interests of micro- and small producers. The stakeholders have engaged in political activities/conferences in the Bamako area.

THE NETHERLANDS GRANTS FOR DUTCH BUSINESSES TO INVEST IN EMERGING MARKETS

During the years 1998-2009 the Dutch government has given and will be giving approximately US\$ 200 million⁹⁴ in grants for Dutch companies to invest in countries throughout East Europe, Africa, Asia and Latin America. The core idea behind the programme is to 'stimulate pilot investments where the leaders of Dutch enterprises establish a relation of sustainable cooperation with a local enterprise⁹⁵'. The programme, through which the grants are allocated, is called the Programme for

Cooperation with Emerging Markets (PSOM), though since September 2008 the programme is called Private Sector Investment Programme (PSI).

PSOM is a joint initiative between the Dutch Ministry for Foreign Affairs and the Ministry of Economy. PSOM contributes normally 50-60% of the investment costs, where a minimum of 50% of investments go to export-oriented projects. The Ministry of Economic Affairs has incorporated some development objectives to try and stimulate innovative and new thinking.

The aim of the programme is to:

- stimulate sustainable economic development in certain countries through employment, income and strengthening the private sector
- support the position of Dutch companies in these certain markets⁹⁶

Though these objectives are mentioned in the programme, they have not yet been made a central part that would bring the programme more in line with development ideals, such as stimulating job creation, supporting innovative models between Dutch and local companies, encourage fair export, local economies stimulants, pressure a development impact, etc. Though, in theory the programme stimulates the co-creation between foreign and local companies, it always starts and is led by a Dutch company. It seems that the development objectives become short sighted because the programme does not stimulate long term, local business and market development⁹⁷.

As an example, 500.000 EUR went to Vietnam, co-funding a project of the Dutch company Wassenburg & Co B.V., Dodewaard, to set up a sub-assembly production plant for medical devices. The products will be assembled into final products in the Netherlands. The company is already planning to expand its investments, the motivation being that 'as Wassenburg needs to expand its production capacity to exploit opportunities in the market, and as the production of sub-assemblies is labour-intensive, Wassenburg has been looking into setting up an initial sub-assembly production facility in various countries in Asia (e.g. China and Thailand)'. PSOM contributed 50% to the total budget⁹⁸.

In Ghana, PSOM has in 2004-2006 supported Unilever Research and Development, part of the multinational corporation Unilever, to establish a supply chain for Allanblackia nuts to be used in the production of margarines. The project wanted to set up a logistic chain for collecting the nuts in the Ghanaian forest, employing local farmers. According to the initial plan, the nuts

have been processed into oil in a local plant and then exported to Europe for further use in Unilever products. PSOM contributed 50% of the total budget of approximately EUR 740,000⁹⁹.

In some cases, the programme has funded businesses that have tax exemptions in developing countries, which means less revenue for already poor governments to support their population and state structures. This has happened at least in Benin, where the Dutch company White Bird set up a factory that was granted tax advantages and exemption of import duties¹⁰⁰.

The programme states that the companies funded by PSOM shall comply to 'the *extent relevant* and to the *extent that such compliance is not prevented* by national or international legislation and regulations *or by the absence* thereof in the country in question, with the Guidelines for Multinational Enterprises on Corporate Social Responsibility of the OECD and the Fundamental Labour Standards of the ILO¹⁰¹'. In other words, companies are not obliged but only advised, to comply with international minimum requirements and there is no explicit reference to paying decent salaries or providing better working conditions in the countries where investments are being made.

In July 2008, the part of the programme that operates within developing countries was withdrawn as a result of a ruling by the Trade and Industry Appeals Tribunal in the Netherlands. The ruling stipulates that PSOM funding must be categorized as a subsidy, not as a grant with a developmental purpose, taken from the budget designated for development projects (ODA). Tenders are still allocated to companies that invest in India, Montenegro, Ukraine, the Russian Federation, Serbia and Turkey¹⁰².

How the project matches with the possible pro-poor policy measures for Aid for Trade¹⁰³

Even though PSOM might deliver some support for small farmers in entering production chains for export (as in the case of Allanblackia nuts in Ghana), access to training and capacity building and possibly access to low cost and improved infrastructure, the main beneficiaries of the programme are at the top end of the production chain such as the Dutch or multinational companies. The value-added is in other words in the Netherlands and not the country of origin. This makes for unsustainable supply chains. As the companies are not even obliged to follow internationally agreed labour standards, they can profit from lower salary levels and working conditions by outsourcing to developing countries (as in the case of medical devices in Vietnam).

Programmes like PSOM provide 'Aid for Trade' for rich countries' companies and are in reality, subsidies, funded from the budget for development assistance meant for developing countries to alleviate poverty.

UK FUNDED PROJECT TARGETING MICRO ENTREPRENEURS IN NEPAL

The Micro Enterprise Development Programme (MEDEP)¹⁰⁴ in Nepal is a programme that provides and coordinates entrepreneurship training, technical skills training, and micro-finance access for potential micro-entrepreneurs.

Starting in 1998 with its first phase, and continuing to a second phase in 2004, it is a long-term and demand-driven programme, initiated by the Nepalese government in cooperation with the UNDP. After a big success in Phase I, the programme was extended for a second phase, covering 20 districts and funded by different donors¹⁰⁵. During Phase II, the British development agency DFID financed the programme with US\$ 2,800,400. Because of its success and for sustaining the long-term aspect of the programme, it is at the moment entering phase III. The final aim is to overcome all resource dependency and convert the local staff into a local NGO providing business assistance to entrepreneurs¹⁰⁶.

Why and for who?

The programme operates in the poorest parts of Nepal and aims at poverty reduction through increasing opportunities for the most deprived to earn a decent living under decent conditions. It promotes sustainable micro-enterprises that can grow and facilitate conflict transformation within the areas where it is working. It also builds capacities for local and export markets.

The programme focuses explicitly on local market centres and identifies, trains, and assists selected men and women to initiate and grow micro-enterprises. Once the potential entrepreneurs are identified, MEDEP organises skills training, access to technologies, access to micro-credit and other business services¹⁰⁷.

The target group of the programme is people living below the poverty line. During the second phase of the programme a new focus was on the 'ultra poor', these include indigenous nationalities and socially excluded castes. The target was set to include min 30% of ultra poor. In addition to targeting the ultra poor, the programme has also targeted women to encompass 70% of its entrepreneurs.

'I feel most empowered due to being a recognized trainer by the government despite being a poor Tharu woman. By being a trainer, I not only train other men and women in Jhalla weaving but I also learn a lot, sharpen my knowledge and skills and develop my confidence greatly to speak with the people of different levels'. Sabitra Chaudari, an Indian woman starting a Jhalla enterprise

Impacts

During its nine years of operation, the programme has benefited in total 27,532 entrepreneurs. The average income increase per entrepreneur has been 287% and the average per capita family income increase 48%. During phase II, 70% of its entrepreneurs were from ultra-poor, socially excluded castes. Their average income increase was no less than 73%, with the result that 3000 families, almost 18,000 persons, were alleviated from ultra poverty. In total more than 9000 families, including 53,000 persons, have been upgraded above the poverty line¹⁰⁹.

A number of MEDEP enterprises have expanded and are now employing 10-20 full time employees. During the programme's complete operation time, more than 30,000 jobs have been created¹¹⁰.

During the second phase the proportion of women reached 71%. Women have reported that they have been able to raise their status outside their household and strengthen their position in decision-making¹¹¹. Also indigenous people have been reported to become empowered to take decisions, gained self-respect, and become involved in economic activities¹¹². Moreover, the programme is supported by actors in the civil society¹¹³.

'There have been many changes in my family after I started making herbal soap and getting additional income from selling the soap. At present, my husband has stopped working as a driver and works together with me in producing soap. This has given us good income to send the children to school and meet the house expenditures. Now I realized that if we have skills we can earn'. A quote from one of the MEDEP entrepreneurs

The programme's challenges relate to problems with recruiting more women, the delay and uncertainty of funding for Phase II, political and administrative changes and uncertainties at the district level, conflict-related disruptions and dangers, marketing, creating active producer platforms, ensuring credit capital and enterprise certification¹¹⁴.

But overall, the programme has been extremely successful: It has supported both local and international trade and helped to advocate the interests of micro entrepreneurs. A micro-enterprise policy has also been prepared which has been partially approved by the government¹¹⁵.

How the project matches with the possible pro-poor policy measures for Aid for Trade¹¹⁶

The programme gives small producers access to pre-finances and grants and despite some challenges, it also works towards compliance with conventional standards and specificity certification schemes. It has also given producers access to training and capacity building in order to develop products for added value). Moreover, MEDEP has provided technological transfers to the producers and runs a Participatory Action Research to test potential appropriate technologies and provides for innovation opportunities. During Phase II of the programme, it has also included strategies for developing marketing skills through business plan preparations, marketing management training, and business counselling and market survey. The strategy has included a list of potential buyers and developing market linkages to local, regional and national markets. One part of the MEDEP strategy has also been to influence the national policy and regulatory framework for MSEs in Nepal.

BELGIAN SUPPORT FOR SMALL PRODUCERS IN ECUADOR

Since 2003 the Belgian NGO TRIAS¹¹⁷ has been supporting small producers in Ecuador. The programme has been funded by the Belgian government (US\$ 922,000)¹¹⁸. TRIAS supports and co-operates with a local NGO, Fundación Minga para la Acción Rural y la Cooperación (MARCO). The overall objective of the programme is to improve the socio-economic situation of potential-, micro- and small producers in the province of Chimborazo and its surroundings by giving them opportunities for entrepreneurship.

MARCO, with the support of TRIAS, seeks to give small producers added value to their products by improving their knowledge on production processes through technical assistance (e.g. processing of sugar cane into sugar or milk into cheese), by improving access to saving and lending services by giving loans to local savings- and credit co-operatives, and by enhancing collaboration between local farmers and entrepreneurs and small supermarkets in the region. Finally, TRIAS works to strengthen MARCO and through MARCO, local farmers' associations¹¹⁹.

Why and for who?

The Chimborazo province in Ecuador where the project is carried out has a rural population of about 60.5%. Based on an index of basic needs (NBI)¹²⁰, the province's average poverty rate is 67.4%, whereas the poorest rural counties of the province have a poverty level of over 90%¹²¹. Thus, from a socio-economic perspective the area needs support to reduce the levels of poverty and to find ways to empower the people to produce their own income. For the focal group - producers in the rural areas - production support is central. According to the producers themselves, the biggest problem has been to process and get their products to the market¹²².

In addition to market access, the access to credit has been one of the major development obstacles for small producers because they need capital and secure finance sources to activate their production, to introduce new technologies, and to elaborate the quality of their products in order to access more profitable markets. The aim of giving loans to local savings- and credit cooperatives is, therefore, to give small producers the opportunity to deepen and expand their economic activities¹²³.

The project's focal points are individual producers, co-operatives and different productive chains. The project has an overall objective for women to be minimum 5% of the legally organised producers. The areas of assistance vary between agriculture, cattle, commercialisation, credit, organisation, strengthening entrepreneurial management, and developing a service market¹²⁴.

Impacts

By the year 2007 MARCO had provided services for creating valuable production chains to 578 families in total. These families were part of five different agro-businesses and cooperatives. MARCO had also provided four different types of technical assistance to approx. 2900 producers of which 58% believed that the assistance helped to improve their production¹²⁵. During this time, the prices and the quantities of the produced products increased and the assortment of products diversified. The average increase in income per productive unit was US\$ 2,500/year. Concerning microcredit, nearly 1000 producers benefited from the service. Finally, despite some problems, MARCO has developed and strengthened its capacities during the cooperation with TRIAS. The people are aware that projects and the organisation work to a cooperative philosophy. The problems relate mainly to MARCO's financial dependence on TRIAS and its weak communication strategy. MARCO has not been able to build as much alliances

with financial actors as planned and it has not been too successful in influencing political decision-making¹²⁶.

How the project matches with the possible pro-poor policy measures for Aid for Trade¹²⁷

The TRIAS-MARCO project supports individual producers, producer associations and cooperatives. Through its support it strengthens the productive capacities of these focal groups. The project also gives small producers access to pre-finances and grants by financing savings and credit cooperatives. Moreover, it has given producers access to training and capacity building in order to develop products for added value, especially through technical assistance for processing products. In certain cooperatives the project has also been linked to providing means of transport for the producers for getting their products to markets, especially for local and regional market development¹²⁸. The aim of the project has also been to link the producers with cooperatives and agri-businesses so that they can receive information about prices and business opportunities. Finally, the project has aimed at strengthening MARCO's capabilities in influencing national decision-making and defending the interests of small producers. So far this aim has, however, not been reached as hoped for.

EUROPEAN COMMISSION SUPPORT FOR AID FOR TRADE TO NEIGHBOURING COUNTRIES

As defined by the WTO, AfT refers to trade-related assistance to developing countries, to assist them to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalised trade and increased market access¹²⁹. Whilst not putting the importance of many of the projects financed through the EU's pre-accession and neighbourhood instruments into question, there is no doubt that most of these projects do not fall into the category of assisting developing countries and EU development aid. Moreover, many of them are not supporting small producers and local trade development that are important for poverty reduction and sustainable development and should be part of a pro-poor policy.

During the period 2000-2006 the EC had three different financing instruments for supporting candidate countries in their accession process to the EU. These instruments were the PHARE, ISPA, and SAPARD¹³⁰.

The EC has added mainly PHARE-projects as AfT into the TCBDB database. The EC defines PHARE in the following way: 'The PHARE programme is one of the three pre-accession instruments financed by the EU to

assist the applicant countries of Central and Eastern Europe in their preparations for joining the EU. Originally created in 1989 to assist Poland and Hungary, the PHARE programme covers 10 countries: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia, as well as Bulgaria and Romania, assisting them in a period of massive economic restructuring and political change¹³¹.'

Phare's objectives are: 'strengthening public administrations and institutions to function effectively inside the EU, promoting convergence with the EU's extensive legislation and reducing the need for transition periods and promoting economic and social cohesion¹³²'.

During the period 2001-2006 the EC has spent more than US\$ 200 million AfT for supporting these countries that entered the EU in 2004 and 2007, also including Cyprus and Malta. The projects that have been financed are of various types. Some examples include:

- US\$ 385,000 for the Spanish and British standardisation institutes AENOR¹³³ and BSI¹³⁴ to give technical assistance to Bulgaria in standardisation and metrology;
- US\$ 1,885,000 for a project that aimed at ensuring that animal health and food hygiene inspection procedures and border checks at Prague Ruzyne airport are fully in line with the veterinary standards. The result of the project was the construction of long-term border veterinary inspection and clearance facilities;
- smaller amounts of money given for projects such as 'the role of the boarder controls in fighting terrorism' (Lithuania), 'education on using dogs for inspecting travellers and merchandise in boarder controls' (Latvia), or 'fight against drug trafficking' (Romania)¹³⁵

Between 2001-2006 the EC has directed more than US\$ 800 million of AfT money to the Western Balkans through the instrument CARDS¹³⁶. CARDS' objective is defined as:

'...to support the participation of the countries of the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro, including Kosovo, under United Nations Security Council Resolution 1244/99 of 10 June 1999, and the former Yugoslav Republic of Macedonia) in the Stabilisation and Association Process (SAP). Through the programme in total €4.6 billion were provided to this region in the period 2000 to 2006 for investment, institution-building, and other measures'¹³⁷

Examples of CARDS-projects under AfT include:

- US\$ 1,849,000 for Serbia to provide improved office accommodation and equipment for customs, border security and veterinary/phytosanitary personnel, together with ancillary facilities such as covered vehicle inspection areas and parking areas;
- US\$ 5,901,000 for Croatia for capacity building in the area of plant health, strengthening of the Croatian Veterinary Service; 'Development of accreditation systems and support to national testing and calibration laboratories.
- US\$1,232,000 regionally to former Yugoslav states for furthering develop in line with the structures of the EU the quality infrastructure in the region; To improve the ability of quality infrastructure bodies to provide high-level services to industry in their own country and, where appropriate those of the neighboring countries; To strengthen mutual confidence and co-operation between the countries in the region as well as with the EU in the quality infrastructure fields; To contribute to the institutional development of the quality infrastructure bodies as a condition for agreements and mutual recognition¹³⁸.

The PHARE and CARDS finances are in total more than US\$ 1 billion. This makes it 16% of the total amount of EC AfT. In addition to PHARE and CARDS, resources have been allocated through the TACIS-instrument (2000-2006) for promoting the transition to a market economy and reinforcing democracy and the rule of law in the partner states in Eastern Europe and Central Asia. The TACIS programme includes Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russian Federation, Tajikistan, Turkmenistan, Ukraine and Uzbekistan¹³⁹. During 2000-2006 the Russian Federation has received US\$ 100 million AfT finances¹⁴⁰.

How the project matches with the possible pro-poor policy measures for Aid for Trade¹⁴¹

These programmes specifically would not cover direct support to small producers, though small producers' constraints and needs are similar to bigger businesses. They would also like to see cost effective transport and improved infrastructure and technology, access to more information, and training and capacity building. The projects listed show that the demands of big business are being met, but it seems they are not directly benefiting small producers and the funds do not flow into developing countries. Accession- and neighbourhood

instruments should not be included in the Doha Development Agenda database and ODA, and count as AfT related finances. This gives distorted figures into the amount of AfT the European Commission claims it has made in the past and how far it should go in the future.

THE NETHERLANDS HELPING SMALL PRODUCERS BUILD NETWORKS IN THE SOUTH

Since 2005 the Dutch government has funded the Dutch Association of Worldshops (DAWS) to carry out a project called 'Fair Market Entry' with US\$ 2,175,000. The project supports capacity building and market entry of regional and national Fair Trade networks in Asia, Africa and in Latin America¹⁴². The activities for reaching these aims have included training and campaigning¹⁴³.

Supporting regional networks and through them country networks in Africa, Asia and Latin America is highly valuable for small producers. It is essential for small producers to team-up and work together through formal organisations such as cooperatives, platforms and networks, to be able to have access to essential training, technical assistance, market information, product feedback and support on such things as marketing and exporting, to gain access to the global markets. The democratic nature of these networks empowers the producers to make decisions about what services they want provided by the network.

Why and for who?

The supported networks are the Cooperation for Fair Trade in Africa (COFTA), the Asia Fair Trade Forum (AFTF) and IFAT Latin America (IFAT-LA) and they are regional members of the World Fair Trade Organisation (formally IFAT)¹⁴⁴.

All three networks aim at empowering producers, educating producers and consumers on Fair Trade and on regulations, standards and market trends, increasing the capacities of the producers to meet market demands better and establishing links between producers and buyers and therefore facilitating market access¹⁴⁵. There is also an aim to create a system for electronic commerce for the producers' products as a strategy to reach out to mainstream markets¹⁴⁶. The networks also aim at strengthening their advocacy and lobbying capacities and provide a space to share experiences and 'best practice' about campaigning and market entry on local and international markets. The networks work together to encourage south-south trade.

Their members are predominantly producer organisations, producing handicrafts but they are also involved in tea, coffee, vanilla, honey, dried fruit and juices, and textiles, as well as marketing and development organisations. COFTA, founded in 2004, has 90 member organisations from 22 African countries with country networks at present in: Kenya, Tanzania, Rwanda, South Africa, Swaziland and Zimbabwe¹⁴⁷. AFTF¹⁴⁸ was founded in 2001 and has 90 member organisations in 14 Asian countries, with at present 7 country initiatives in Nepal, Philippines, Bangladesh, Sri Lanka, India, Indonesia and Thailand¹⁴⁹. IFAT-LA, founded in 2007, represents 45 organisations and works in 13 Latin American countries¹⁵⁰.

'...A strong country network is the first line of service provision and visible actor at the country level where small producers are assisted and where vital information on trading, markets, capacity-building can be derived' (Maiden R. Manzanal, Program Manager, Asia Fair Trade Forum)

Impacts

During the project, amongst other activities, COFTA has organised events and trainings in different African countries to educate consumers and small producers about Fair Trade and provide trainings on basic business skills, pricing and costing, product development management, and business planning¹⁵¹. AFTF has created an Asia Centre for Learning (CFL) for educating small producers, organising several workshops on market scanning and research, market trends, product development, design and financial planning¹⁵². IFAT-LA was created during the project (2007). The first activities included building and developing communication tools and hosting some regional events.

How the project matches with the possible pro-poor policy measures for Aid for Trade¹⁵³

In light of possible pro-poor policy measures for AfT, this project can be seen to focus on many of them that have been highlighted in the researches' recommendations. First of all, it supports and strengthens a producer association's institutional capacities, which then facilitates producers' access to other markets. It also gives producers access to trainings on how to gain added value to their products and how to comply with standards and requirements in local and international markets. It provides producers with access to information on business opportunities and prices. Finally, it aims to strengthen the networks so that they can better lobby for the interests of small producers regarding regional and national policies.

METHODOLOGY OF RESEARCH

The methodology to meet the objective of the research consisted of five parts.

Data Collection

There are two main databases - OECD Creditor Reporting System (CRS) and the Joint WTO/OECD Doha Development Agenda Trade Capacity Building Database (TCBDB) - where donors have provided statistical information of their Official Development Assistance (ODA). These databases are the main sources of information for researchers and donors when analyzing ODA and AfT figures.

The OECD CRS database is the main database of ODA spending. The OECD have stated that the current categories that would reflect AfT are very broad and do not sufficiently cover all the AfT areas, therefore it is for the moment difficult to calculate AfT spending from this database. For the purpose of this research, this database did not provide sufficient information: Not only was it difficult to find the right categories, that relate to AfT, but there was not enough information under each project to understand exactly what the project was about. This lack of qualitative data and only basic quantitative data for where aid goes means it will be very hard for external monitoring and evaluations to occur.

The TCBDB¹⁵⁴ is the more comprehensive of the two databases and gives some detailed information on individual projects rather than just focusing on statistical information. The TCBDB was established by the WTO jointly with the OECD to provide information on trade-related technical assistance and capacity build-

ing projects. This database therefore only covers the traditional or narrow AfT definition¹⁵⁵.

In general, it is difficult to determine how much funding has gone to the different categories of AfT, especially looking at the wider definition of AfT. Even the donors themselves acknowledge that the reporting to these databases is unreliable, with donors using different definitions or reporting techniques. As the 2003 WTO-OECD report states, 'a number of donors isolated the trade component of each activity, whereas others reported the whole activity marking it trade-related. The total amount of trade-related technical assistance (TRTA) in this category should therefore be interpreted with caution¹⁵⁶.' Also the AfT WTO Task Force highlighted this lack of reliable information as part of the gaps in the present AfT. They made a specific proposal to review the scope of the joint database, with the purpose of taking stock of AfT spending and to measure in how far funds are really additional to other committed development funds¹⁵⁷.

In general, all data about AfT must therefore be treated with caution.

Throughout this research the data highlighted is based on the narrow definition of AfT, not only because it was easier to locate the data for these two categories, but also because this reflects the funding commitments for AfT and because the research analyses past AfT when the narrow definition of AfT was the only definition.

The donors for the study are the United Kingdom (UK), Belgium (BE), The Netherlands (NL), and the European Commission (EC). These donor countries were chosen because they have been active within the EU in regards to AfT commitments and inputting into the EU AfT joint Strategy.

The data was sorted into the researchers' own categories of projects:

- Target small producers
- Microfinance
- Likely to benefit small producers
- Not likely to benefit small producers

The database does not always give a satisfactory answer to see which category to place the project. Therefore, additional information was gathered from websites, documents about the projects and/or impact assessments. These were studied to find if small producers were taken into account in the objectives, either as stakeholders or if their demands (see Chapter 4) were part of the objectives. Fair Trade projects were au-

tomatically considered in the targeting small producers' category, because Fair Trade targets small producers. From this breakdown of the data, it was easier to gather an overview of where the donors targeted their AfT.

The data showed that a large amount of funding goes to microfinance projects. While microfinance can be of direct support to small producers, within the scope of this research, it was not possible to analyse all projects regarding their relevance for small producers. Therefore, a specific category for microfinance was established.

To double check the data and get more information, all donors in the research were contacted directly; specifically the relevant units and persons involved with AfT discussions and development in the case study countries.

Please note that the database is in US dollars.

Literature Review

A number of researchers, reports from meetings and position papers were reviewed to gather an in-depth knowledge on AfT, its history and the debate surrounding it. For a full overview of the literature reviewed see the bibliography.

Building of Case Studies

The second phase of the research looked more in-depth at several case studies of projects funded by the donors. Background information on the project and implementing agent was collected using websites, impact assessments, and other documents from the projects. Where necessary, interviews with relevant stakeholders were conducted. When possible, the texts were checked by the implementing agent and donors were asked to comment on the project.

The case studies highlighting small producers were chosen by the researcher according to the following criteria:

- There should be one case study from each donor
- They should be from different regions of the world
- They should reflect the different small producer demands (Chapter 3)
- Easy access to information via the internet and implementing agent, and an impact assessment. (this was necessary because there was no possibility for field trips)

Regarding the choice by the researcher of the non-small producer case studies, the criteria were

- Access to information
- Independent reviews of the programmes
- The amount of funds that were assigned to that programme compared to others.

Collection Of Views From Small Producers On What They Expect From AfT

Reports from meetings on AfT which involved small producers were studied, such as the ACP-EU's Technical Centre for Agriculture and Rural Cooperation (CTA) briefing sessions on AfT and Fair Trade (<http://brusselsbriefings.net/past-briefings/april-16-2008>), the European Centre for Development Policy Management (ECDPM) and CTA's session on Agriculture and AfT (<https://aidfortrademeeting.pbwiki.com/CTA-ECDPM%2BMeeting%2Bon%2BAid%2Bfor%2Btrade%2Band%2BAgriculture>) and the European Parliament's session on AfT. Civil society position papers and statements were examined for statements specifically made by small producers. A research was conducted asking Fair Trade Organizations (members of the International Fair Trade Association (IFAT)) based in developing countries and working with small producers, what small producers expect from AfT. Small producers were also asked at meetings attended by FTAO in Brussels and Egypt.

Collection Of Views From ICCO Staff On What Interventions Would Be Beneficial To Overcome Small Producers' Supply Side Constraints

Interviews were conducted with several members of staff of ICCO from the Fair Economic Development Department that have experience working in the field and developing interventions with small producers. They were asked what interventions would be beneficial to overcome the constraints and satisfy the demands of small producers and they provided the researcher with examples of such interventions done by ICCO.

GLOSSARY

ACP	Africa, Caribbean, Pacific	MDGs	Millennium Development Goals
AfT	Aid for Trade	MARCO	Minga para la Accion Rural y la Cooperacion
AFTF	Asia Fair Trade Forum	MEDEP	Micro Enterprise Development Programme
AIDCO	EuropeAid Cooperation Office	MOBIOM	Mouvement Biologique Malien
AusAID	Australian Government's Overseas Aid Program	MSE	Micro and Small Enterprises
BE	Belgium	NBI	Necesidades básicas insatisfechas (index of basic needs)
BIO	Belgian Investment Company	NGO	Non-Governmental Organisation
CARDS	Community Assistance for Reconstruction, Development and Stability in the Balkans	NIPs	National Indicative Programmes
CB	Capacity building	NL	The Netherlands
CFL	Centre for Learning	NZAID	New Zealand's International Aid and Development Agency
COFTA	Cooperation for Fair Trade in Africa	ODA	Official Development Assistance
CRS	OECD Creditor Reporting System	ODI	Overseas Development Institute
CTA	Technical Centre for Agricultural and Rural Cooperation ACP-EU	OECD	Organisation of Economic Cooperation and Development
CSR	Corporate Social Responsibility	PHARE	Poland and Hungary: Assistance for Restructuring their Economies (name originating from 1989)
DAWS	Dutch Association of Worldshops	PSOM	Programme for Cooperation with Emerging Markets
DFID	Department for International Development	SAPARD	Special Accession Programme for Agriculture and Rural Development
EC	European Commission	TCBDB	WTO/OECD Doha Development Agenda Trade Capacity Building Database
ECDPM	European Centre for Development Policy Management	SAP	Stabilization and Association Process
EIF	Enhanced Integrated Framework	TACIS	Technical Aid to the Commonwealth of Independent States
EPAs	Economic Partnership Agreements	TRA	Trade Related Assistance
EU	European Union	TRTA	Trade Related Technical Assistance
EVD	Agency for International Business and Cooperation	UK	United Kingdom
FLO	Fairtrade Labelling Organisation	UN	United Nations
GNP	Gross National Product	UNDP	United Nations Development Program
ICS	Internal Control System	UNIDO	United Nations Industrial Development Organization
IFAT-LA	International Fair Trade Association - Latin America	WFTO	World Fair Trade Organisation
ILO	International Labor Organization	WTO	World Trade Organisation
IMF	International Monetary Fund		
ISPA	Instrument for Structural Policies for Pre-Accession		
JITAP	Joint Integrated Technical Assistance Programme		
LDC	Less Developed Country		

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The text does not necessarily reflect the opinion of all the members of the networks. All errors and omissions are the sole responsibility of the author.

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- The Fair Trade Advocacy Office is a joint initiative of the World Fair Trade Organization (WFTO), Fairtrade Labelling Organizations International (FLO), the European Fair Trade Association (EFTA) and the Network of European Worldshops (NEWS!).

- www.fairtrade-advocacy.org

- ICCO grants financial support and advice to local organisations and networks promoting fair economic development.

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