DIIS REPORT

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PRO-POOR GROWTH THROUGH EXPORT SECTOR SUPPORT
- WHAT WORKS WHERE AND WHY

Henrik Nielsen and Peter Gibbon

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Executive Summary

Introduction

This report reviews international experiences with pro-poor development assistance to export sectors. Such support has become more common in the last decade and a half, following the emergence of widespread consensus amongst policymakers that export growth can be a key poverty reduction mechanism – since it should increase both national income and formal employment. This contributes to poverty reduction directly through increased employment and indirectly through creating additional resources for governments to pursue pro-poor policies. Nevertheless, policymakers normally also agree that some types of export growth are more (potentially) pro-poor than others, especially but not only in their employment effects. It is initiatives to respond to this challenge that will be treated in this report.

The report and its conclusions are based on a careful review of a number of examples of export sector support with an explicit pro-poor focus. They have been chosen because they are reasonably well documented and because important lessons can be drawn from them.

Classification of the different activities that occur under this heading can take many forms, but in this report the approach followed is to consider different types of intervention in terms of their orientation to different levels of the economy. Here, it is the categories of the *international* and of the *national* macro, meso and micro-levels which are relevant.

- International macro-level interventions would include initiatives, for example, to improve access to developed country markets. Pro-poor versions of such interventions would aim especially at access for the poorest group of countries (LDCs)
- National macro-level interventions may address national policy, structural or institutional issues, for example removing practical bottlenecks to trade via 'trade facilitation' measures. A pro-poor national macro-level intervention might aim at removing physical or bureaucratic bottlenecks where large numbers of poor people are concerned – e.g. by the poor state of rural feeder roads or especially burdensome SME registration procedures. In fact, no interventions of this kind specifically addressed to export sectors were found

- National-level meso and micro-type interventions seeking to directly address sectors where poor producers are found, either through sector-wide institutions and organisations or via enterprise support

The programmes reviewed were:

At the macro-level:
- The Africa Growth and Opportunity Act (AGOA), a US trade preference scheme primarily addressed at LDCs.
- The Everything But Arms (EBA), an EU trade preference scheme exclusively for LDCs.
- The North American Agreement on Labour Cooperation (NAALC), a side agreement on labour rights linked to US and Canadian bilateral trade preferences for Mexico.

Combining the macro and meso-levels:
- The Kimberley Process, an inter-governmental scheme with business and NGO participation, aimed at severing the link between the diamond trade and armed conflict in fragile states.
- A number of interventions in Liberia aimed at export sector rehabilitation in a fragile state context.

At the meso-level:
- The Better Factories Cambodia Programme, a labour rights programme linked to a US trade preference scheme for Cambodia.
- The KATALYST programme in Bangladesh, a multi-donor programme aimed at improving the competitiveness of the aquaculture sector.

Combining the meso and micro-levels:
- The EPOPA programme in Tanzania and Uganda, a Swedish programme supporting contract farming for certified organic exports.
- The Kenya Horticultural Development Programme (KHDP), a US programme aimed at improving the competitiveness of the smallholder fresh produce sector (primary focus, horticulture).
- The Trade and Investment Programme for a Competitive Export Economy (TIPCEE) in Ghana, another US programme aimed at improving the competitiveness of the smallholder fresh produce sector (primary focus, pineapples).

Main findings

It is not easy to draw common lessons across all these ten different interventions because of wide differences in their objectives and resulting non-commensurability in their intended impacts. Thus, for example, it is not possible to state that certain levels of intervention have greater impacts than others. On the other hand, when those interventions that share a focus on a given level are compared, the following conclusions emerge (with the programmes that they are based on noted **in bold** in brackets).

- *At the macro-level*, LDCs in certain regions (Asia) respond in a more sustained way to pro-poor trade preferences than LDCs in others (Africa). This seems to relate to the more developed nature of regional economic networks in the Asian region (**Better Factories Cambodia, AGOA, EBA**).
- Programmes and projects aimed at poverty reduction through improving labour conditions in conjunction with trade preferences appear to work better where there is provision for capacity building for employers, and where a clear link is visible to employers between making improvements in labour conditions and gaining improvements in market access (**NAALC**, **Better Factories Cambodia).**
- At the *macro and meso-level*, rehabilitation of export sectors in fragile states can generate impressive results when associated with restoration of a degree of political stability. Where export production is entangled with armed conflict, enrolment of multinational corporations in internationally-recognised efforts to secure its differentiation can result in major short-term gains for the poor (**Kimberley Process, lessons from Liberian programmes**).
- Concerning programmes and projects aimed at securing improved competitiveness in international markets through interventions at the *meso and micro-levels*, a clear lesson is that involvement of actors 'downstream' in the value chain concerned (i.e. exporters and, where possible, importers) is a precondition of success. This can be, for example, through contract farming. By contrast, programmes whose main focus was on the 'upstream' links in the chain – small-scale producers and farmer associations – were less effective (**TIPCEE, KHDP, EPOPA**).
- Where small-scale producers are amongst the direct beneficiaries of these programmes, criteria for their sub-sectoral and end-market focus should include the nature of the entry barriers presented by the main standards that apply in the sub-sector and end-market and the costs that these entail (**TIPCEE, KHDP, EPOPA**).

- These costs should be considered, moreover, not merely in relation to certification, but also in terms of resource costs in the longer run. These include costs of changes in production infrastructure, new types of inputs and of monitoring and record keeping. In general, interventions of this kind work better in subsectors in which smaller producers already have some involvement in production for international markets (**TIPCEE, KHDP, EPOPA**).
- Where novel sub-sectors are chosen for development, or sub-sectors are chosen for development where small scale producer involvement in international exports is very limited, it is better for the initial end-market focus to be national and regional rather than international (**KATALYST**).
- Likewise, where interventions aim at increasing competitiveness in international rather than regional markets, the main gains are likely to be where those exporters (and/or importers) used as intermediaries have extensive experience in these markets. As opposed to smaller exporters, larger exporters are likely to have better networks, better knowledge of the markets in question and better resources to supply them in competitive ways. Often this may involve a choice to work through multinational trading houses rather than local indigenous exporters – even though the latter is politically attractive (**EPOPA**).
- These conclusions sum up experiences drawing on rather complex realities, and therefore require a degree of qualification. The main qualifications relevant to them will be also considered here first, in relation to a distinction between interventions according to their 'level'; and then in relation to some broader methodological considerations.

Qualifications in relation to macro and meso-level findings

LDC-oriented trade preference programmes have had some impact, but this is generally limited by problems of supply capacity and is also threatened by preference erosion. This may occur either through multilateral trade liberalisation, as the case of AGOA illustrates, or through large importing countries extending preferences to new groups of poor countries. Indeed, many African clothing exporters attribute the diminishing returns from AGOA not only to the phase-out of the Multifibre Arrangement but also to the US's decision to expand the clothing preferences awarded to Cambodia, for example.

In terms of the labour rights/conditions-oriented interventions considered, it may be that ILO's involvement in implementing the Better Factories Cambodia Programme had a decisive importance. ILO's experience in the area, its credibility and its ability

to draw on expertise from other regions are all probably unique. Moreover, because of the resource requirements of this type of programme it may not be possible to scale up such involvement.

Remaining in this area, while the voluntary interventions conducted through ILO appear to have had considerable success, those intervention elements in this area that sought to introduce judiciable solutions had relatively little success. Problems here related both to low uptake of judiciable procedures and their enforcement where there was uptake.

The relative success of the Kimberley Process was due to the active involvement and interest of the leading multinational companies responsible for production and global trade in diamonds. Given the rather limited number of effective tools that donors have when it comes to intervention in so-called fragile states, more attention should be paid to the possibilities of partnering with multinationals, both in relation to regulation of illicit exploitation of other kinds of extractive resources, and also more broadly. On the other hand this raises the issue of whether it is appropriate to target development assistance at such actors, or whether another type of relation between them and development partners should be the aim.

Qualifications in relation to meso and micro-level findings

While much attention has been directed at ensuring the inclusion of smallholders in international export agricultural value chains, and some successes in this area have been recorded, no examples were found of successful integration of smallholders into global value chains for high value non-traditional products. The mechanisms that worked in successful cases of smallholder integration seem to involve provision of incentives to invest greater quantities of labour. But investing additional labour alone is not enough in order to be able to produce high value exports.

Where it has succeeded in the medium-term or beyond, inclusion of smallholders has resulted in significant incremental increases in average beneficiary income. Typically, however, the magnitudes of these increases are large relatively rather than absolutely. They do not in general seem to be sufficiently large in themselves to lift beneficiary households out of poverty.

As in the case of macro/meso interventions in fragile states, it seems that interventions using international or multinational companies as intermediaries work better than

others. But this is controversial for several reasons. Firstly, there is usually political pressure on donors to direct support to locally owned export enterprises – pressure that it is hard to resist given arguments about ownership, as well as the difficulty of showing that large international companies need any additional support. Furthermore, it may be hard to argue vis-à-vis taxpayers in favour of supporting them, since they are already increasingly concerned about the effectiveness of development aid. Alternatively, would large firms be willing to accept pro-poor conditionalities from development partners if the latter were not providing them with financial support? All these are difficult questions.

A further issue concerns agricultural labour. It has been argued that the actual mechanism that works in successful cases of smallholder integration in export value chains involves provision of incentives to invest greater quantities of labour – for example, marketing guarantees and premium prices. But, as a number of academic studies show, this labour is mainly obtained by smallholders through employing non-family members. Indeed, this may have a larger poverty-reducing impact than the net incremental increases in income obtained by smallholders themselves.

If this is indeed the case (the current evidence is unclear), then perhaps it would be more logical to support production by labour-intensive large farms through such interventions, as well as or even rather than smallholders, however labour-intensive they are. This is because larger farms are likely to offer better employment conditions than smaller ones. The trade-offs between these two forms of production need to be seriously considered.

Finally, the importance of giving further attention to smallholder inclusion in domestic and regional agricultural value chains should be underlined. High levels of urbanisation, the increasing importance of supermarkets, and regional trade liberalisation are providing increased opportunities in these markets, which smallholders would find it easier to take advantage of than those available in the markets to which they are currently often directed.

Qualifications regarding evaluation methods

While good documentation was one of the criteria used in selecting the programmes and projects considered for examination in this study, even in these cases programme reports are merely self-congratulatory brochures that ascribe any positive development within the area to the given programme, while at the same time ascribing any

failures to externalities and unforeseen events beyond the influence of the programme. Moreover, where results are reported, there is a tendency to focus disproportionately on numbers of beneficiaries reached without giving a clear indication of the extent to which their lives changed as a result of their participation. Furthermore, a category of 'indirect beneficiary' and corresponding head counts are reported in some programme documents without any clear indication of how the latter have been arrived at.

There is an increasing recognition that use of control groups is necessary in impact assessment but, even where these are used, surveys tend to collect data on few variables and test for too few relationships to uncover the mechanisms though which poverty is being reduced (or not). While trade preference programme impacts tend to be measured in much more sophisticated ways, the methods used in this case are not mainly designed to draw conclusions about poverty. Only in those cases where independent academic researchers have for one reason or another been involved in studying the effects of programmes has it been possible to analyse more thoroughly the potential of export sector support.

Because larger and more sophisticated surveys and analyses would cost more than existing evaluation methods, and because the latter need to be retained for their important non-research benefits (for example, consolidating local ownership or understanding the practical problems facing implementers), it would not be possible for research methods to be brought to bear on every intervention in this area. Moreover, the use of such methods would only mitigate rather than resolve conclusively the classical problem of attribution. However in terms, for example, of uncovering actual mechanisms that make programmes work, it seems likely to be a good investment if undertaken selectively for a number of different types of such intervention. Development partners working in the area might meet and agree a sample of programmes across the different types and models described here that could be studied, as well as some priority questions.

Introduction

Objective of study

This report reviews international experiences with pro-poor support to export sectors. There is a widespread agreement among policymakers within development that export growth is normally pro-poor – mainly since it increases national income and formal employment. This contributes to poverty reduction directly through the welfare impacts of increased employment and indirectly through creating additional resources for governments to pursue pro-poor policies. Nevertheless, the understanding of the relation between GDP growth and poverty reduction remains imperfect. Many developing countries have experienced very high growth rates in the course of the new millennium, without significant impacts on the poor segments of their population. This has constituted a challenge for policymakers, and it is initiatives to respond to this challenge that will be treated in this report.

Choice of cases

Pro-poor support to export sectors is not that widespread and its impacts are generally not well documented. Much of the support has been directed more generally to private sectors or to creating an 'enabling environment' for export sectors. Many examples are too small in scale to generate a measurable impact and are, again, not well documented. Other interesting initiatives have been implemented only very recently, and it is premature at this point to draw any firm conclusions from them. The examples reviewed in this report are however all examples of specific export sector support with an explicit pro-poor focus. They have been chosen since they embody important lessons, and because they are reasonably well documented.

The classification of the different activities under this heading can take many forms, but in this report the approach that will be followed is to consider different types of intervention in terms of their orientation to different levels of the economy. Here, it is the categories of the *international* and of the *national* macro, meso and micro-levels which are relevant.

- International level interventions would include initiatives, for example, to improve access to developed country markets. Pro-poor versions of such interventions would aim especially at access for the poorest group of countries (LDCs).

- National macro-level interventions may address national policy, structural or institutional issues, for example removing practical bottlenecks to trade via 'trade facilitation' measures. A pro-poor national macro-level intervention might aim at removing physical or bureaucratic bottlenecks where large numbers of poor people are concerned – e.g. by the poor state of rural feeder roads or especially burdensome SME registration procedures. In fact, no interventions of this kind specifically addressed to export sectors were found.
- National-level meso and micro-type interventions seeking to directly address sectors where poor producers are found, either through sector-wide institutions and organisations or via enterprise support.

All three levels will be treated in the report. However, because what exists at the two first levels is rather limited, the main emphasis has been on the third type of interventions. The cases selected are:

Macro-level	The AGOA and EBA trade preference schemes, and the NAALC side agreement to NAFTA
Macro/meso-level	Pro-poor exports support in fragile states: the case of Liberia and the Kimberley Process
Meso-level	The Better Factories Cambodia programme
Meso/micro-level	The KATALYST Programme in Bangladesh, the TIPCEE programme in Ghana, The Kenya Horticultural Development Programme and the EPOPA programme in Tanzania and Uganda

Structure of case discussions

The review of the different interventions is rather extensive, and emphasis has been put on providing a detailed description of the particular setup of each intervention, a review of what has been done to ensure a pro-poor focus, and an assessment of what has been done to substantiate this. Each case ends with a few concluding remarks.

For ease of reference, citations are placed at the end of each section.

Macro and Meso-Level Interventions

International trade initiatives and pro-poor export growth

Types of international trade preference

Economists have argued that, under normal circumstances, export growth will be pro-poor – mainly since it increases national income and formal employment. This contributes to poverty reduction directly through the welfare impacts of increased employment, and indirectly through creating additional resources for governments to pursue pro-poor policies. This section accepts the assumptions of this argument, while reviewing developed country attempts to use trade policy (as distinct from development assistance) to enhance the pro-poor character of developing country export growth.

These attempts fall into two categories, both of which involve granting of trade preferences. The first involves seeking to enhance pro-poor impacts by giving especially enhanced trade preferences to the poorest group of developing countries. The second involves attaching conditions to trade agreements or offers, inducing the developing country partner to implement policies that are targeted at benefiting the poor in these countries. In a handful of cases these attempts are combined.

The trade preferences granted in both cases are of three overlapping kinds. The most common is waiving or reducing tariffs on imports to the preference-granting country from the beneficiary one. Such actions may cover a few, most or all types of goods.[1] Another kind is to grant waived or reduced duties on one or more type of goods, up to a designated volume – after which standard import duties apply. This is known as a Tariff Rate Quota (TRQ). Another kind of preference, which has become more widespread since 2000, involves application of less stringent 'rules of origin' than normal to imports from beneficiary countries. Rules of Origin are the rules that must be followed for a product exported by a given country to be counted as originating from that country rather than another, and thus being eligible for remission of duty and/or access to a TRQ.

Today, the most common trade preference arrangements are either bilateral (on the basis of a reciprocal relation with a trading partner) or unilateral, where developed

[1] Preferences can thereby be distinguished in terms of numbers of 'tariff lines' they cover – that is, the number of customs codes covered or – in the case of clothing – the number of MFA category codes.

countries grant non-reciprocal preferences to groups of countries. Most of the latter schemes go under the title 'Generalised System of Preferences' (GSP). Individual countries granting preferences of this kind normally restrict their application to a specific group of countries (which they identify themselves) and to a fairly narrow range of goods. Most of them also apply 'graduation' clauses to these arrangements, whereby beneficiary countries lose their preferential status when they hit a certain threshold in the preference-granting country's imports or when their GNI per capita increases beyond a certain level. A few countries or trading blocs like the EU also apply enhanced non-reciprocal GSP schemes for groups of countries deemed to not merely be developing but also poor.

Pro-poor preferences (i) Enhanced preferences for LDCs

Developed country provision of non-reciprocal trade preferences to tropical countries dates from the British, French, Dutch and other Imperial Preference Schemes of the early 20th century. These were originally conceived as means of guaranteeing the colonial powers security of supply for raw materials. When the colonies became independent in the 1950s and 1960s (or in the Japanese case after 1945) the former colonial powers maintained the schemes, repackaging them as development interventions. The most extensive such scheme involved the EU granting all its former colonies non-reciprocal preferential market access, and was governed successively by the Yaounde and Lomé Conventions and then by the Cotonou Agreement until this was terminated in 2008.

These arrangements did not distinguish between different categories of developing country according to how poor they were. Neither did the first generation of GSP schemes, introduced in the early 1970s by developed countries like Canada and Australia that were not former imperial powers; nor did the EU in its own version of the GSP adopted in 1971 to cover some developing countries that were not former colonies of Europe.

GSP schemes typically differed from the ex-colonial preference schemes by excluding a substantial number of tariff lines of interest to developing country exporters – most commonly clothing and textiles, ceramics, glass and steel. Most of these are rather simple products that all developing countries, even the poorest, could export competitively. The exclusion of such products tended to skew the benefits of GSP schemes toward the richer developing countries with the resources to manufacture more complex products – initially Mexico, Taiwan, Hong Kong,

Singapore and Malaysia and later Brazil and India (e.g. Sapir 1981, Karsenty and Laird 1986).

Poorer developing countries first became officially distinguished in the UN system in 1971, with a name, 'Least Developed Country' and an accompanying definition.[2] However, the term LDC did not enter the language of international trade agreements until the formation of WTO in 1994. The Marrakech Agreement of that year recognised the special problems of LDCs in the additions to the provision of 'Special and Differential Treatments' that members had agreed to apply to developing countries generally in 1979. For the most part WTO's LDC-specific provisions referred to longer periods to phase in implementation of WTO agreements, or longer periods to retain benefits that were subject to being phased out, rather than to enhanced preferences.

Criticism that the GSPs were not working in favour of LDCs took many years to elicit a policy response. It was not until 2000/2001 that the EU unveiled an enhanced set of preferences specifically targeted at LDCs – the 'Everything But Arms' (EBA) offer – and that the US unveiled an enhanced version of its non-reciprocal preferences of its own – the 'Africa Growth and Opportunity Act' (AGOA) arrangement. The latter was targeted generally at Sub-Saharan African countries but embodied special provisions for what it called 'Lesser Developed Countries'.[3] EBA gave all LDC country exports EU Duty Free and Quota Free (DFQF) status, except for arms and ammunition.[4] AGOA provided beneficiary countries with duty free (but not quota free) access for clothing and textiles to the US, although on the basis of a general rule of origin that required that qualifying clothing exports be manufactured from raw materials originating in Africa or the US. 'Lesser Developed Countries'[5] received a waiver from this rule of origin – meaning that they could export duty free to the US clothing that was made from fabric originating anywhere in the world. In the light of the initial success of AGOA (see below), the EU in 2008 substantially modified the rules of origin applying to EBA. For LDC clothing exports for example, a rule almost identical to the AGOA 'Lesser Developed Country' rule was introduced.[6]

[2] The current definition involves three criteria: a per capita GNI below US$905; 'weaknesses' in respect of human development indicators; and being subject to 'economic vulnerability', for e.g. because of small size or instability of agricultural production.

[3] Defined in AGOA as countries with per capita GNIs of <US$1500 in 1998.

[4] For a limited period (now expired) bananas, sugar and rice were also subject to restrictions.

[5] Plus Botswana and Namibia.

[6] Rules in a number of other areas were also simplified.

Subsequent to this development Canada, which was already operating a GSP programme, also adopted provision of additional benefits for LDCs. Three new GSP programmes specifically targeted on LDCs have been announced subsequently by China, India and Brazil (Sekkel 2009; Engel 2009).

Pro-poor preferences (ii) Special preferences for developing countries with pro-poor policies

The first time that workers rights considerations were ever attached to a trade agreement as more than just a 'passing matter' was in 1994 in a side agreement to the 1992 North American Free Trade Agreement, entitled the North American Agreement on Labour Cooperation (NAALC) (Bolle 2001). NAALC entailed the signatory governments agreeing to enforce and sometimes go beyond their own labour laws and standards and to institutionalise a range of workers' rights. It distinguished between different classes of these rights and applied different enforcement mechanisms to each class. In the case of one class of rights, NAALC permitted sanctions to be imposed on signatories found to be in non-compliance.

Two arguments were advanced for the side agreement. One concerned protection of workers in the US from the increased wage competition that it was envisaged NAFTA would entail. The other, however, referred to the issue of poverty in Mexico. According to this, lack of workers' rights in the country contributed to the prevalence of poverty there. It was not realistic to expect that full employment would be attained in this country, or that workers would develop meaningful bargaining power there, because workers globally were converging into a common labour pool, allowing Multinational Corporations (MNCs) to easily shift production operations between developing countries. Therefore, to improve wage levels and promote workers' bargaining power, developing countries needed to have labour standards provided for them (c.f. Delph et al. 2004).

After NAALC, labour rights provisions were attached to all subsequent US bilateral trade agreements.[7] Moreover, rather than being found in side agreements like NAALC they were now integrated into the main bodies of these agreements. Differences between these agreements exist in respect of the number of labour rights provisions to

[7] The revised US–Israel Free Trade Agreement (FTA) of 1995, the US–Cambodia Textile Agreement (1999), the US–Jordan FTA (2001), the US–Singapore and US–Chile FTAs (2004), the Central American FTA and US–Australia FTA (2005), the US–Columbia and US–Bahrain FTAs (2006), the US–Panama and US–Korea FTAs (2007) and the US–Peru and US–Oman FTAs (2009).

which sanctions apply, the nature of these sanctions and the enforcement mechanisms. The only agreement that provides for compliance to be rewarded with incremental trade incentives (as well as for sanctions) is the US–Cambodia Textile Agreement of 2001, discussed elsewhere in this report.

In 2006 the EU inaugurated a scheme of special preferences for developing countries that were not LDCs but which followed a wide range of policies deemed to be pro-poor. This scheme was known as 'GSP+'. In this arrangement the number of tariff lines for which beneficiaries obtain preferential treatment is increased by more than 100 over and above those to which the standard EU GSP applies. The newly-included tariff lines included a number for products of greater interest to less developed countries not classified as LDCs, including a range of textile and clothing products. Criteria for eligibility for the scheme include a measure of economic vulnerability (that the country's existing exports through the GSP represent <1% of all EU imports through the standard GSP scheme), a measure of export compression (that the five leading tariff lines in the country's exports to the EU make up >75% of its total exports), implementation of 16 international conventions on human rights and labour rights, and implementation of at least 7 of 11 named conventions on environment and good governance. Fourteen countries became beneficiaries, all in Latin America except Mongolia and Sri Lanka (Sri Lanka was later excluded). In 2011 there were fifteen beneficiary countries.

Assessments of selected initiatives

The remainder of this section will focus on three of the initiatives mentioned above. Two of these concern enhanced pro-poor preferences for LDCs or 'near-LDCs' – the US's AGOA and the EU's EBA. The other concerns the granting of preferences to Mexico in NAFTA, accompanied by conditions aimed at Mexico's implementation of labour provisions with envisaged pro-poor outcomes (NAALC). The assessments of AGOA and EBA will use so-called 'ex-post' data and analyses wherever possible. These are data and analyses of actual trade flows as opposed to those predicted in model-based simulations (so-called ex-ante studies). In the case of EBA, however, problems of data availability mean that almost all studies conducted have been ex-ante.

The Africa Growth and Opportunity Act (AGOA)

AGOA is a time-limited arrangement dating from 2000. It has been renewed with revisions three times and is currently set to expire in 2015. Its special LDC provision is due to expire in 2012. AGOA applies potentially to all countries in Sub-Saharan

Africa, but because of political and economic eligibility criteria[8] currently only 37 can utilise it. The arrangement provides for waiving of US import duties on 1,800 tariff lines over and above those referred to in the US GSP, including all textile and clothing lines.[9] It also differs from the GSP in lacking a 'Competitive Needs' clause, under which benefits are removed from beneficiary countries whose exports reach a certain share of US imports. For textiles and clothing however there is a TRQ, defined in volume terms, after which normal ('most favoured nation' or MFN) import duties apply. The AGOA LDC provision refers to clothing only. It suspends the requirement that only African or US raw materials can be used for clothing production if goods are to qualify for duty free entry.

The argument for concentrating the LDC provision on clothing was two-fold. Firstly, trade performance in clothing was considered likely to have a large impact on poverty reduction, as the investment costs of creating additional employment in this sector are lower than for any other type of manufacturing. Secondly, trade performance in clothing should be particularly sensitive to changes in trade rules, as clothing's so-called 'margin of preference' is high. This is particularly true for exports to the US. No precise calculation of the AGOA clothing margin of preference is available but its magnitude may be appreciated by observing that US MFN clothing import duties fall in a range between 12% and 32% of cif value (Cost, Insurance and Freight) by tariff line, while the system of applying national quotas to global clothing exports prior to 2005 (the Multi-Fibre Arrangement) entailed an additional margin averaging around US$2.50 per piece (Gibbon 2003). As for concentrating AGOA's LDC provision on the rule of origin, it was believed that this would free African-based exporters from the historical handicap of the lack of a spinning and weaving industry. In other words they would be able to compete with Asian producers since they would be able to import and use Asian raw materials without being penalised by loss of preference.[10]

Prior to the global financial crisis, total African exports to the US under AGOA reached US$42.2 billion in value (Naumann 2009). Fuels and minerals made up 95% of these exports, for which AGOA conferred a 1.5% preference margin over the US MFN rate. Clothing represented around 60% of the remainder, followed by motor vehicles and parts at 22%[11] and agricultural products at 7%. An average of

[8] Beneficiary countries must be political democracies and free market economies.

[9] The US GSP has now expired and it appears that there are no plans to revive it.

[10] Rules of origin in the international clothing trade have a long history of being protectionist. AGOA represented the first attempt to liberalise them – though not the last, see below.

[11] Basically, BMWs made in South Africa for export to the US.

Table 1. Sub-Saharan African clothing exports to the US (cif), 1996–2010

	1996	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total exports (US$ million)	360	747	953	1098	1510	1757	1463	1291	1294	1151	922	789
% of total exports utilising AGOA*	n/a	n/a	19.1	67.7	66.3	81.7	97.6	96.7	95.0	91.3	100.0	84.3
Share of total exports in all US imports (%)	1.0	1.3	1.6	1.9	2.4	2.6	2.1	1.8	1.7	1.6	1.4	0.8
6 leading exporters (US$ million)	340	711	919	1061	1417	1603	1322	1190	1196	1109	892	518
Share of LDCs in total SSA exports (%)	37.5	48.3	56.7	60.3	65.8	79.1	84.1	87.2	89.2	89.6	87.8	86.7

Source: Staritz 2011, updated and expanded using www.otexa.gov
* based on data for volumes in m^2. n/a: not applicable

86.7% of the clothing exported from Sub-Saharan Africa from 2002–2010 utilised the AGOA preference.

Clothing exports, FDI and employment grew spectacularly between 2000 and 2004, particularly from LDCs (Table 1). Six countries dominated exports overall. In two of these (Mauritius and South Africa) there were already well-established clothing sectors prior to AGOA, exporting both to the EU and the US. In the other four (Lesotho, Madagascar, Kenya and Swaziland), all beneficiaries of the special LDC provision, there had been virtually nothing. Growth of production in these countries was based on new investment from Taiwan, Hong Kong and China, and on a spectacular increase in textile raw material imports from China.[12]

From 1 January 2005 national quotas ceased to be applied to global clothing exports. Thus the average US$2.50 per piece price advantage enjoyed by African countries over those constrained by quota vanished. At the same time, international buyers who had earlier widened their sourcing bases outside Asia in order to escape the constraints of

[12] Staritz (2011, 74) cites Comtrade data showing an increase in Sub-Sahara African textile imports from US$2.8 billion in 2000 to US$4.4 billion in 2004. This figure includes materials for non-clothing end uses. China's share of imports increased from 22.2% to 41.2%.

the quota system now sought to reduce their sourcing costs by re-concentrating on suppliers based in Asia. In addition, it is worth mentioning that the value of AGOA's LDC-specific preference, the permissive rule of origin, was eroded the same year by the US's application of the same rule to imports from its Central American FTA partners. The consequences, as Table 1 also shows, were dramatic: by 2010 Sub-Saharan Africa's share of US imports had fallen to below its pre-AGOA level.

Everything But Arms (EBA)

EBA is a permanent arrangement, not subject to periodic renewal and thus offering a high degree of certainty to LDC exporters and investors. Because it covers almost all tariff lines, it is also an incentive to diversify the export structure and to invest in new industries and products with the aim of promoting industrialisation. Furthermore, access is available to all LDCs without any exclusions. Until 2008 LDCs in the African, Caribbean and Pacific group of countries enjoying preferential access to the EU under the Cotonou Agreement benefitted from more flexible rules of origin than those applied for EBA, although EBA rules were made significantly more permissive that year. In addition, the administrative requirements of exporting under EBA are said to have been more burdensome than those pertaining under Cotonou (Brenton 2003, Keck and Low 2004, Candau et al. 2004).

As noted earlier, ex-post analyses of the impact of EBA are few. Indeed, the only one encountered by the authors of this study is based on data ending in 2006, prior to the change in the EBA rules of origin. A general problem with all studies of EBA is that the EU publishes data on imports under its preferential trade regimes that do not distinguish between its Cotonou, GSP, GSP+ and EBA schemes. Thus it is impossible to quantify ex-post the precise amount of trade under EBA or the share of all LDC exports to the EU that utilise the arrangement. Table 2 below summarises the data that is available.

Table 2. LDC exports to the EU (cif), 2001–06

	2001	2002	2003	2004	2005	2006
Total exports (US$ billion)	12.4	14.4	16.0	19.0	19.5	22.6
% of total LDC exports utilising EU preferences	16.3	18.1	20.3	22.1	20.0	26.3
Share of LDC exports in all extra-EU imports (%)	1.3	1.5	1.4	1.5	1.3	1.3

Sources: Evenett (2008) with data converted to US$ using www.oanda.com, WTO (2002–07)

2001 may be taken as a suitable baseline for EBA, as imports under the arrangement were not admitted until the very end of the calendar year. The data show LDC exports almost doubling in magnitude over the period to 2006, although as a share of all extra-EU imports they remained constant. The table also shows a relatively small share of LDC imports utilising any EU preference scheme.

These results are broadly in agreement with a wide range of ex-ante simulations of the effects of EBA, using a variety of models including CGE and gravity ones (see Evenett op cit. for a review). They also correspond to the European Commission's own estimate of EBA's effect, namely an increase in LDC exports to the EU of around 20% per annum (as reviewed in Bureau et al. 2006).

The main explanations advanced in the literature for the apparent lack of impact of EBA concern the fact that a high proportion of LDC exports to the EU prior to 2001 (39% according to Gallezot and Bureau 2006) already entered duty free; and that for a high proportion of remaining LDC exports the margin of preference is too low for exporters to bother to utilise the EBA scheme (Manchin 2005);[13] and lastly that, in the case of most products for which EBA offers a worthwhile margin of preference, either restrictive rules of origin were applied by the EU (up to 2008 for clothing, still in force for fish) or there is little or no production in LDCs.

NAALC

The goal of NAALC is to ensure the effective enforcement of the labour laws of the NAFTA partner countries. It is assumed that, in the case of each member, these laws are consistent with twelve principles listed in the Agreement. The Agreement classes these twelve principles into three groups. The first group concerns rights to organise and pursue collective disputes (collective bargaining and strikes). These are designated as non-trade related rights. As such, enforcement of them is supposed to take place through a process involving the NAFTA parties' National Administrative Offices (based in their Labour ministries) and the NAALC Secretariat and – at a higher level – the Ministerial Council. The second group comprises 'technical labour principles': prohibition of forced labour; minimum standards on payment of overtime; elimination of sex discrimination in employment and in pay; compensation for occupational injury and illness and protection of migrant workers. All these are designated as trade-related. Enforcement of them is supposed to take

[13] According to Manchin (op. cit) the administrative costs of utilising EBA are normally around 4% of cif export value. The average margin of preference offered by EBA is only 6.5% (Grynberg and Silva 2004), or 7.4% on a trade weighted basis (Low et al. 2005).

place through the same mechanisms as applied to the first group, except that where disputes in this area involve 'patterns of national practice in (legal) enforcement of these standards', they may be further investigated and ruled on by an Evaluation Committee of Experts. The third group, also of technical labour principles designated as trade-related, concerns prohibition of child labour; standards on minimum wages, and employer obligations to prevent occupational injuries and illnesses. Their enforcement is supposed to take place through the same mechanisms as for the second group, except that where disputes in this area involve 'a persistent pattern of failure to effectively enforce standards' they may be further investigated and ruled on by an Arbitration Panel, which can impose sanctions on the offending country.[14]

The enforcement process is supposed to be triggered by the receipt of a formal complaint by a National Administrative Office of contravention of a standard. NAALC requires that all partner states operate labour inspectorates, monitor compliance, investigate violations and encourage conciliation, but labour organisations or their allies can also raise complaints. Referrals to an Arbitration Panel have to be made by the Ministerial Council (on the basis of a minimum two-thirds majority).

Assessments of the impact of NAALC all refer in one way or another to its impact on the governance of the Mexican labour market. All conclude, although for varied reasons, that its impact in this area has been at best mild. A common assessment is Teague's (2003) that NAALC has not resulted in any systematic change in the governance of the Mexican labour market. Where benefits to Mexican labour are referred to, this is mainly in terms of what Delph et al. (2004) call NAALC's 'sunshine effect' – provision of a somewhat enhanced degree of protection to independent unions, following from the opening up of employer tactics to an unprecedented degree of public scrutiny.

No studies try to directly investigate whether there have been any poverty-related impacts resulting from NAALC but since any large change is likely to have been transmitted through changes in labour market governance, it must be concluded that probably these also have been at best slight. Where they have come about, this is most likely to have taken place by relatively indirect means, such as less corporate-level sexual discrimination in the maquiladora labour market and improved conditions for some Mexican migrant workers in the US (Compa 2001) with a resulting possible

[14] Fines or suspension of NAFTA benefits for one year.

impact on remittances – both of which were subject to NAALC complaints and investigations and both of which resulted in some remedial action.

The critical literature on NAALC argues for its ineffectiveness equally, if not primarily, in terms of the relatively low volume of complaints that have been processed. It appears that there have been no more than 40 in all since 1994. According to Human Rights Watch (2001) up to 2001 no Evaluation Committee of Experts had been convened, and according to Studer (2010) up to 2008 only nine ministerial consultations had resulted in recorded agreements. Nor has NAALC ever endorsed any trade sanctions.

Two conflicting explanations are offered in the literature for the apparent failure of NAALC. The first of these is its lack of status as a supra-national authority with the right to establish its own investigations and sanction companies (cf. Human Rights Watch op. cit., Delph et al. op. cit.). The second is its foundation on the principle of US jurisprudence – adversarial litigation. This has led to inflated expectations on the one hand and to lack of meaningful inter-governmental and inter-civil society cooperation on the other (Dombois et al. 2003, Studer op. cit.).

The conclusions that follow from these interpretations are sharply opposed. Proponents of the first argument advocate providing NAALC with autonomy from partner governments and (through direct incorporation in the NAFTA treaty rather than as a side treaty) a strengthened juridical role. It was this line of thinking that became dominant in Washington in the years immediately after the negotiation of NAFTA and which led to labour clauses being incorporated in the mainstream of subsequent US bilateral trade agreements.[15]

Proponents of the second argument argue that trade agreements and sanctions can never overcome the asymmetries between national labour markets and the practices institutionalised within them. It is these that underlie labour rights problems. In contrast, 'soft law' offers a route for improving labour rights, especially where finance and capacity building is made available to encourage developing country governments to adopt plans of action to raise standards and to monitor them. It was this approach, albeit alongside a 'mainstreaming' one, which was to be adopted in the US–Cambodia Textile Agreement – Better Factories Cambodia case, reviewed elsewhere in this study.

[15] It resurfaced again in Barack Obama's pledge to rewrite NAFTA in his 2008 presidential election campaign.

Conclusions

Granting enhanced preferences to LDCs has become increasingly widespread in recent years. As the experience of the EU's EBA scheme shows, these may have only modest effect on enhancing LDC trade. This is due to the fact that – with some exceptions such as rice under EBA or clothing under AGOA – the real preferences that they provide tend to be for products that they do not produce. Indeed, this has been one of the major arguments in favour of trade preferences being complemented by 'Aid for Trade', in other words aid aimed at developing LDCs' capacity to supply such products. A number of the programmes that are examined elsewhere in this study fall under this heading.

The AGOA programme meanwhile illustrates another drawback of trade preference schemes for LDCs. This is that where they succeed in providing advantages, these are often subject to rapid and devastating erosion – either by the liberalisation of world trade in WTO, or by the country granting LDC preferences extending them through bilateral arrangements to other trading partners that are more competitive. It seems likely, for example, that Africa's losses as a result of the phase-out of the Multi-Fibre Arrangement in 2005 were Cambodia's gains.

As regards inclusion of labour rights and other pro-poor clauses in trade agreements, insufficient information can be derived from the NAALC case alone to determine whether this might have an impact under other circumstances. Another more promising example, with a radically different institutional set-up and relation to trade agreement provisions, is discussed elsewhere in this study.

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Support to export sectors in fragile states: the case of Liberia

Introduction

Providing support to export sectors in 'fragile states' in order to promote growth appears an attractive option at first sight – not least because it promises some quick gains. Particularly in post-conflict situations there are often dormant export-oriented enterprises that can be rehabilitated at relatively low cost, with immediate impacts in terms of improved infrastructure and increased formal employment, national income and tax revenue. Depending on the amount and type of employment created there may also be significant pro-poor impacts. On the other hand, fragile states have certain common characteristics making all kinds of development assistance interventions difficult, while support to export development in them involves some additional special difficulties. Hence interventions in most fragile states normally have unusually long gestation periods, and interventions aimed at pro-poor export growth tend to be thin on the ground and are only emerging currently – leading to a corresponding absence of reviews, evaluations, and so on. This section develops these points, mostly with illustrations from Liberia, which emerged relatively recently from a devastating 14-year conflict.

Problems of development assistance in fragile states

Problems facing the planning and implementation of development assistance generally in fragile states include the following:

- In a number of such states, the international community provides both military and development assistance, a double role which constitutes a challenge. It, furthermore, struggles with the challenges involved in transferring the main emphasis of support from one type of intervention to the other.
- The political, civic and economic environment is often enervated, with the consequence that there are few good quality long-term potential local partners or intermediaries with whom to develop and implement programmes.
- Fragile states – and in particular their rural areas – are often dangerous to work in, and donors have problems establishing operations there and attracting committed staff.

Particular problems of assistance to the private sector and to export sectors
Perhaps it is more appropriate here to speak of the problems that may arise in supporting the rehabilitation of export sectors or enterprises that were established prior to state breakdown or the onset of protracted conflicts, than of problems of assistance to export sectors *per se*.

Frequently these 'traditional' export enterprises have been reference points in the conflicts in question. A case in point is the Firestone rubber enterprise in Liberia. From 1992 Firestone contributed US$2 million each year to the war chest of Charles Taylor's NPFL in exchange for protection of its plantations. Later the same year its largest plantation was used to launch the 'Operation Octopus' attack on Monrovia and ECOWAS, targeted at unseating the Interim Government of National Unity (Truth and Reconciliation Commission of Liberia Final Report, www.trcofliberia.org). Even in 2006, three years after the end of the conflict, Firestone conferred legitimacy on the continued illegal occupation of some plantations by ex-combatants through buying rubber from them (*BBC World Service*, 24 May 2006). In these circumstances, unless it is very carefully managed, support to export enterprise rehabilitation may entail a consolidation of the social and economic position of parties directly involved in years of conflict, crimes against local populations and so on.

The export of rubber was (surprisingly) not subject to international sanctions during the conflict. However exports of timber and minerals were. In these cases the sectors in question were not only infiltrated by combatants but also, with the help of local and international businessmen, directly run by them in order to generate revenue through illegal exports. This illustrates the broader point that in fragile states private sector activity often becomes diverted to, supplemented by or entangled with illicit trade of various kinds and with money laundering. Often, in the process, illegal business activity becomes very entrenched. Even though the post-conflict Liberian government has cancelled many pre-war concessions, particularly for timber, difficulties may still arise in mobilising local capital for conventional investments. Widespread and deeply rooted illegal activity will also create additional risks for new conventional investment where it does emerge.

Liberia and development assistance

The donor community has been intimately involved in Liberia's post-conflict reconstruction. This involvement has included providing a share of public finance

that is unprecedented internationally. It has also, importantly, included support to demobilising ex-combatants, establishing new security forces, initiating rehabilitation of public infrastructure and establishing transparent and fair legal frameworks and concession agreements in different areas. It also assisted in the development of a Poverty Reduction Strategy, published in 2008.

The Liberian PRS

The PRS outlines a growth strategy with three prongs: rebuilding roads and other critical infrastructure; reviving the traditional engines of growth in mining, minerals, forestry, and agriculture; and establishing a competitive business environment to help diversify the economy over the medium term.

Regarding reviving the 'traditional engines of growth', the PRS states that it is vital to "restore production in rubber, timber, mining, cash crops and other key natural resource products, and ensure that the benefits accrue to the nation as a whole and not to just a few. Liberia is not a poor country; it is a rich country that has been poorly managed. Going forward, it must manage its resource base to ensure the benefits are transparent and widely shared, that natural resources are utilised in a sustainable manner, and that natural resource production does not undermine the incentives for growth in other sectors" (Government of Liberia 2008, 38).

In order to avoid repeating past experiences it is thus noted that "Concession contracts will therefore differ from the past and the Government will seek to increase the participation of Liberian micro, small and medium enterprises (MSMEs) in the supply chains and value chains of these key growth sectors" (ibid.).

Agriculture

According to the PRS, agriculture is expected to grow at a rate of 3.6% over the first years of the strategy. At least some of this growth is envisaged as coming from development of new crops and markets. Rubber production is expected to plateau or decline for some years before starting to recover toward the end of the PRS period, while "production of non-traditional export crops such as vegetables is…expected to expand rapidly. With support measures being put in place, the tree crop sector will also start recovering by 2009, with cocoa, coffee and oil palm taking the lead" (Sola-Martin 2011). In general on agriculture, the PRS signals "a more integrated approach [*than in the past*] that addresses the inequalities facing small-holder farmers' (Sola-Martin 2011).

Timber
In the same vein, the different measures proposed regarding the timber sector in the PRS are said to be based upon a "central goal…over the PRS implementation period…for the sector to become a source of higher incomes for the rural population, ensuring that the benefits are shared equitably, and that adequate environmental and other regulatory safeguards are in place to ensure sustainability". How this is envisaged as occurring is not spelled out in much more detail, apart from in the form of commitments to "develop commercial forestry…to be a significant source of revenue generation and growth for local people [*and*] MSMEs… using community forest management techniques to identify viable economic opportunities for communities from forest resources"; and "conserving protected and important biologically diverse areas, with an emphasis on providing sustainable livelihoods for communities at the fringes of the forest".

Mining
Pro-poor export growth is also envisaged by the PRS in the mining sector, with references to diversifying the sector into new and downstream activities, and to 'improvement of support to local miners'. In the PRS it is furthermore stated that "The major policy challenge in the mining sector is to develop a national mining sector framework and Mining Development Agreements [*i.e. concession agreements*] that promote growth that is not just rapid, but also inclusive and sustainable, while at the same time minimising the negative social and environmental impacts of mining activities. In particular, the Government is aiming to develop mining concession contracts that differ from those of the past by better balancing competitive investor returns with the need for robust revenues" (Government of Liberia ibid. 66).

Post-PRS developments

Since the PRS was published, developments in respect of the 'traditional engines of growth' have in some cases run counter to the perspectives on transparency and fairness articulated in the Liberian government's policy pronouncements. While this issue was not covered in the PRS, and apparently not even covered in the important concession agreement with ArcelorMITTAL for extraction of iron ore, the fate of ordinary populations who settled alongside combatants on plantations during the conflict – or who have always lived in areas designated for new concessions – has not been properly addressed. Concession owners have evicted local populations, or want to evict them, but little action is being taken to ensure that they are properly resettled, compensated or integrated into concession company

employment (Sola Martin 2011, Munive 2011). As for implementation of policies to support participation by Liberian smallholder and MSMEs in traditional (and non-traditional) export sectors, little appears to have been initiated by the Liberian government.

Two donor programmes or projects with these or similar objectives have however been initiated. USAID has launched a Liberia Smallholder Oil Palm Revitalisation project, with the objective of "increasing income and creating jobs through more effective use of palm oil resources" (http://liberia.usaid.gov/node/99). This project is primarily or exclusively directed at domestic market production.[16] Project documents state that, as of 2009, three hundred farmers have been trained to establish oil palm tree nurseries, and that assistance has been given to 22 commercial palm oil extraction enterprises, creating a total of 468 full-time seasonal jobs (ibid.). On the other hand, parallel activities are apparently also being undertaken in respect of smallholder rubber and cocoa – both of which are exclusively export crops – and for animal production, while supporting activity is occurring on rural roads, micro-credit and small enterprise development. But details are scarce.

Meanwhile, in the Sida Country Strategy for Swedish development cooperation with Liberia until June 2013,[17] a component on agricultural development and business which includes regional and international trade is announced. Its objectives are "to create more productive and income-generating employment levels for poor women and men" (op. cit. p.6), but little further detail is provided.

The DAC review

Against the background of this rather sobering experience it is useful to conclude by considering a recent work summing up experiences with assistance to private enterprise in fragile post-conflict states, for the OECD DAC's Donor Committee for Enterprise Development (MacSweeney 2010). MacSweeney begins by acknowledging that there is currently no consensus over what constitutes best practice in private sector development, either generally or in post-conflict situations. She observes that there are currently two schools of thought, where one advocates

[16] From the early colonial period, West African palm oil production has witnessed competition for output between domestic and export outlets. The large size of the domestic palm oil market, and the difficulties this was seen as creating for commercial export production, was the main reason cited by the British in their refusal to allow Unilever to establish plantations in West Africa in the 1930s. See Philips 1989.

[17] (http://reliefweb.int/sites/reliefweb.int/files/resources/9FE376A2BCAC6325492575B400213EB0-Full_Report.pdf)

support to the creation of an 'enabling environment' i.e. creating the necessary macro-economic framework including open trade and investment policies, basic infrastructure, rule of law, and a set of basic rules and regulations. In this view there is a lot of work to be done in post-conflict situations, with important roles to play for multilateral and bilateral donors as well as civil society organisations and private actors.

The other school postulates the advantages of 'picking winners', i.e. emphasising support to certain sectors or value chains which are deemed particularly promising. This may involve targeted support to enterprises, business associations and community groups, initiatives on employment and vocational training, and promotion of access to finance. This approach is, at the same time, a great opportunity to form partnerships with private businesses. The approach is theoretically directed at national business communities, with the aim of incentivising them to become more focused on long-term growth.

Proponents of the first approach claim that development agencies are not well placed to pick winners, and that attempts to do so will tend to distort markets. In any event, market forces will eventually do the picking spontaneously. Proponents of the second, on the other hand, claim that in post-conflict states economies are so dislocated and governments so weak that donors will have to take the driver's seat in designing plans for growth policies and plans.

MacSweeney then observes that in reality, including in Liberia, both approaches are being applied side by side. Thus, rather than choosing between models, donors are obliged to address prioritisation and sequencing issues between and within them.

Without going into a detailed examination of these two perspectives, or questions about prioritising and sequencing between them, it seems pertinent to ask whether they in fact share a central premise concerning private sector growth and foreign investment in post-conflict situations. This is that the commercial, natural resource and agricultural sectors represent a *tabula rasa*. As pointed out earlier in this section, this is erroneous. These sectors are often well-populated, albeit often with shadowy figures who have never looked for efficient and transparent business environments or for market linkages, but have invested at least in part because of a conjuncture of abundant resources and the absence of any kind of regulation, enabling them to operate as they please.

MacSweeney herself indirectly acknowledges this point, wit reference to Sudan as well as Liberia. This is in relation to the central alternative she offers to existing approaches, namely that – despite often contrasting goals – it only really makes sense to deal with private sector development in post-conflict situations in close alliance with multinational corporations (MNCs). This is of because of the huge resources that these companies command and the potentials they embody for infrastructure development, job creation and growth as well as social development through corporate social responsibility (CSR) initiatives. Furthermore, the real alternative to working with them is less working with local entrepreneurs than letting MNCs operate without any interference.

Thus the real issue for MacSweeney is to grasp the ways in which donors can assist MNCs in becoming more pro-poor. These include providing local knowledge, assessing the political risks of different interventions, providing assistance in conflict-sensitive hiring and firing policies, training local labour forces, and providing assistance in local procurement and local distribution. Through facilitating integration into the local economy and good relations with government, serving as a partner in design of CSR schemes and providing 'conflict sensitivity', MNCs can be opened up to new ways of operating that can feed into poverty reduction. Aims of this kind are also evident in the Global Reporting Initiative, the OECD Guidelines for Multinational Enterprises, the UN Global Compact etc. as well as in a number of sector-specific codes of conduct such as the EITI (concerning oil, gas and minerals), the Global Mining Initiative, the Forest Stewardship Council Certification, the FLEGT (also concerning forestry) and the Equator Principles. Most importantly for the Liberian case, however, is the Kimberley Protocol, concerning trade of so-called 'blood diamonds', and which will be dealt with below.

The obvious challenge is that the latter group of initiatives are all characterised by collaboration between more progressive MNCs under the pressure of international public opinion. Often MNCs investing in fragile states have been reluctant towards accepting attempts to introduce tighter regulation and transparency measures. The progressive MNCs may have avoided fragile states all along, while donors as well as governments in them suffer from lack of bargaining power. Hence, even though the alternatives are worse, MacSweeney's strategy has its limits.

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The potential for meso-level support at an international level: the case of the Kimberley Process

Introduction

While support to export sectors can certainly be a motor of pro-poor growth, there are unfortunately also examples of the extraction and export of certain export commodities leading to widespread human rights abuses against the poor. The most notorious case in this respect has been the production and trade of so-called 'blood diamonds' – diamonds that are illegally extracted, often using forced and/or child labour and then sold on the international market to finance violent conflict in Africa. The phenomenon of rebel movements in especially Angola and Sierra Leone funding prolonged conflicts through exploitation of mineworkers and subsequent illicit trade provoked an international initiative to halt these practices. This initiative was called the Kimberley Process (KP), after the South African diamond mining town, where its first meetings took place. It is an interesting example of an international attempt to regulate exports in order to generate pro-poor impacts.

The KP is unique in the sense that it combines a voluntary, industry-led certification scheme with an inter-governmental import/export control regime. Although not the only initiative to control and regulate extractive industries in order to ensure more pro-poor (and less environmentally damaging) outcomes, the KP is interesting because of its relatively quick negotiation and implementation, and (initially) broad support.[18] More importantly, it was followed by a visible decline in violence especially in Angola, Sierra Leone and Liberia – a decline that, despite the usual problems of attribution, seems to have a clear relation to the KP.

The international diamond trade is not characterised by a great level of transparency, and is furthermore built upon a monopsony of very few trading companies. At the same time diamonds have a high symbolic value due to their association with romance, glamour, eternity, wealth etc., associations which enable the industry to set prices unrelated to production costs. In the eyes of the industry these associations were threatened by the linkage with chopped off limps, child labour, warlords, mass killings of civilians etc. The industry was therefore open to influence from public campaigns, led at the time by certain international NGOs.

[18] Consider for example the Extractive Industries Transparency Initiative and the FLEGT Forestry Action Plan.

The leading diamond trading company De Beers had, throughout the 1990s, seen its monopsonistic status threatened, as new producing countries (such as Russia and Canada) entered the scene, and as some traditional ones (Sierra Leone, Angola and DRC) entered protracted crises, partly because production was being sold through illegal channels to finance insurgencies. UN sources claim that the UNITA movement alone sold US$4 billion worth of diamonds during the 1990s (http://www.globalwitness.org). De Beers was therefore interested in establishing a scheme that could regulate the trade, and at the same time save the stone's reputation and hence protect its price.

How the Kimberley Process works

The Kimberley Process Certification Scheme is an inter-governmental certification scheme aimed at preventing the trade in diamonds from funding conflicts. Launched in January 2003, it requires governments to certify that shipments of rough diamonds are conflict-free. It is interesting in the sense that producers and traders have joined it on a voluntary basis.

Participating governments are required to certify the origin of rough diamonds and put in place effective controls to prevent conflict stones from entering the supply chain. They must enact domestic legislation to implement the scheme and can only trade rough diamonds with other members. This creates a strong incentive for countries that want to produce, trade or process uncut stones to join. As of 2010, there were 48 members representing 75 governments (EU is represented as one member) participating in the KP. This number has grown over time from 40 in 2003. All members are obliged to submit a standardised annual report.

The KP's technical provisions are implemented by governments, but it has a tripartite structure which means that non-governmental organisations and the diamond industry have official status as observers and take part, along with member states, in all working groups and decision making processes. The British-based NGO Global Witness (which was instrumental in the first 'boycott diamonds' campaign of the 1990s on the basis of its report on UNITA's war in Angola)[19] and the Canadian NGO Partnership Africa–Canada are currently given this observer status.

[19] A rough trade (1998).

The certification system that has been implemented by the industry documents the provenance of all diamonds traded legally. This is generally credited with a significant increase in the level of legitimate diamonds traded. There is some disagreement over what share of diamonds on the world market are marketed illegally. The KP secretariat claims that the share of illegal diamonds has fallen from 15% to under 1%, although others claim that this exaggerates past shares while underestimating current ones (Haufler 2010). Critics also point out that an important side effect of KP has been to improve the reputation of the market for gem diamonds and, as a result, consolidate the position of De Beers.

How has the initiative been pro-poor?

There are good reasons to believe that arresting the illegal diamond trade has led to a major reduction of conflict in previously war-torn areas of Africa. The end of a good deal of warlord-organised production has led to an end to forced labour, while cessation of conflict and subsequent peace-building efforts seem likely to have brought about major direct benefits for the rural poor, especially the women and children who made up the great part of the victims of these types of conflict. The end of the conflict has allowed economic growth to resume in the areas previously affected, while regulation of the trade has led to an increase in the value of recorded exports. This is due mainly to this trade now being officially captured but also to the global price increase that followed the end of the 'blood diamonds' trade. Exports from Sierra Leone, for example, rose from US$26 million in 2002 to US$142 million in 2005 (Haufler 2010). This increased revenue should enable the Sierra Leonean government to devote more resources to pro-poor investments.

Challenges facing the Kimberley Process

A number of serious challenges are currently facing the KP, to the extent that certain key participants have left the process in despair. Foremost amongst these is the fact that currently it is not insurgents who are primarily fuelling trade in blood diamonds, but rather the governments of some diamond-producing countries who have launched wars against their own populations in order to gain control of diamond fields exploited by artisanal producers. This has led to serious controversy in the KP over the treatment of diamonds from the Marange field in Zimbabwe, where the Mugabe regime has been accused internationally of atrocities against local artisanal producers.

When the KP has to assess whether governments live up to a number of normative criteria, other challenges also arise. The KP's failure to address the Marange case has led Global Witness to withdraw: "Over the past three years the scheme has repeatedly failed to hold the Government of Zimbabwe to its commitments to end violence, smuggling and illegal military involvement in its Marange diamond fields. It is clear from the Kimberley Process' half-yearly meeting this week [*June 2011*] that participating governments and the diamond industry are not prepared to take a stand to defend the principles on which the KP was founded" (www.globalwitness.org).

The reluctance of the non-NGO participants in the KP to react is due to the fact that invoking sanctions against Zimbabwe would potentially entail an extension of the KP's mandate to all cases where human rights abuses occur in connection with diamond extraction. It is unlikely that this issue can be resolved without a further challenge, namely to the rule inherent in the set-up that participants should reach decisions by consensus.

A further challenge comprises what some participants see as a failure to respond robustly to allegations that certain companies as well as countries are not following the rules and that, as a result, the general process is being corrupted. Those raising this concern argue that, in order for it to be allayed, the KP should introduce a rigorous third party monitoring system rather than rely primarily on self-reporting. According to the valedictory statement of the long-term activist participant Ian Smillie, issued upon his resignation as observer for Partnership Africa–Canada, up to 40% of diamonds traded out of DRC are of questionable origin and its government does not have sufficient control. He furthermore observed that while the costs of an effective third party monitoring system would be high – in the region of US$2.25 million per annum – this should be considered in relation to the US$2 billion-plus annual current cost of retaining peace-keeping forces in DRC, Cote d'Ivoire and Liberia (Smillie 2010).

Independent monitoring would also prevent damage to legitimate production in countries neighbouring those in conflict, which often fall foul of suspicion in these circumstances. When Ivoirian diamonds were blacklisted following the civil war in 2004, weakly founded allegations that these were trafficked through Ghana lead to the collapse of the artisanal Ghanaian diamond production and an entire community built up surrounding this exploitation (Hilson and Clifford 2010).

Can the Kimberley Process serve as a regulatory model for other export sectors?

The short time frame within which the Kimberley Process was established, the effectiveness with which illicit trade was ended in many cases, and the apparent positive impacts this had in ending many of the armed conflicts that plagued Africa in the 1990s are all remarkable and have led to calls for KP-type initiatives in other sectors. These calls have been also fuelled by growing concern that certain African countries are living under a 'resource curse', i.e. that the presence of rich natural resources is normally bound up with increased conflict, corruption and inequality.

There are however a number of rather unique features of the diamond value chain, which may make replication of the KP's successes difficult. Firstly, uncut diamonds are easily traceable to specific locations through their physical properties, allowing provenance to be established. Secondly, consumers buy a high proportion of diamonds (by value) after these have been through a relatively simple processing. Hence diamonds have a tangibility and visibility to consumers (and thus a susceptibility to boycotts) that does not apply to, for example, coltan (a high value mineral extracted under dubious circumstances in war-torn DRC and used in mobile phones). Thirdly, 'diamonds are a girl's best friend' and, as such, their value depends on their symbolic associations, not their practical uses. Hence any negative association destroys their value.

Conclusion

It is easy to be sceptical about the replicability of the KP to other commodities, while the Process itself moreover seems to be entering a phase of crisis, losing momentum and legitimacy. On the other hand, it should be emphasised that donor countries do not have many effective tools in their toolboxes when it comes to intervening in fragile and post-conflict states, as the case of Liberia illustrates. Support to assembling the necessary funding and professional expertise to establish an effective third party monitoring and reporting scheme would appear a cost-effective way to re-establish the KP's credibility.

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Meso-Level Interventions

Better Factories Cambodia

Better Factories Cambodia (BFC) began in 2001 as a US programme implemented by the ILO, aiming at improving working conditions in the Cambodian clothing industry. Its main source of funding until 2005 was the US Department of Labor, with smaller contributions from the Government of Cambodia and the Garment Manufacturers' Association of Cambodia (GMAC). Since 2005 it has been redefined as a global, rather than simply a Cambodian-related programme. As such, its funding sources were broadened to include IFC, Agence Française de Développement (AFD), the Asian Development Bank (ADB), the Dutch Government, New Zealand's International Aid and Development Agency (NZAID) and USAID. Today the main funding comes from the Australian government and the World Bank's Mekong Private Sector Development Facility.

The programme's original objective was to ensure that the growth of Cambodian clothing exports, which it was assumed would occur following a 1999 US government decision to award the country trade preferences, would be matched by improvements in local working conditions. The main mechanism was to provide resources for manufacturers in Cambodia to upgrade labour conditions, as well as a monitoring system for checking their progress. The programme was directly linked to the bilateral US–Cambodia Textile Agreement (USCTA) of 1999, which mandated increases in Cambodia's quota for clothing imports into the US, tied to progress on labour issues. This agreement expired in 2005 with the ending of the WTO Multi-Fibre Arrangement and its related clothing import quota system (see below). Since 2005 the programme has been reconfigured as a 'Better Work' programme, aimed at improving labour conditions in manufacturing generally, across developing countries. However, as yet, all its programmes continue to relate to clothing. Besides ongoing activity in Cambodia it operates in Vietnam, Jordan and Lesotho. The programme is no longer implemented directly by ILO, although ILO continues to supply a Chief Technical Adviser.

Programme expenditure up to 2005, while BFC took its original form, was US$3.4 million. The planned budget since 2005 has been about US$0.6 million p.a., although no data is available on actual expenditure (Shea et al. 2010).

The case is chosen as it may be seen as an example of support to export manufacturing which is pro-poor, not merely through its association with trade preferences

whose introduction led to a rapid increase in Cambodian formal employment, but also through its specific aim of improving the working conditions of the poor. The discussion that follows will concentrate mainly on this second aspect.

Programme context

An important context of the programme was the GATT/WTO Multi-Fibre Arrangement (MFA), dating back to the 1970s. Industrial countries anxious to confer protection on their declining textile and clothing industries initiated the MFA. But in order to conform to GATT rules the arrangement took the de facto form of the leading clothing exporting countries, which were all in the developing world, imposing voluntary ceilings on their exports to the US, Canada and most countries in Europe. The ceilings were very detailed, being expressed in terms of permitted physical volumes of specific clothing categories used universally in MFA provisions. Also built into the system was the right for exporting countries' ceilings or quotas to increase year on year, provided that existing the quota was utilised or 'filled'. Because during the 1970s, 80s and 90s the leading industrial countries were forever enforcing new restrictions on those countries not subject to quotas, possession of quota came to command a rent as it conferred predictability that an increasing volume of a given country's or exporter's product could enter the US, UK, Germany etc. without interference. The governments of countries possessing quotas, indeed, generally raised revenue by auctioning them each year to the highest bidder. This system was slowly phased out under the WTO Agreement on Textiles and Clothing between 1995 and 2005. But industrial countries can, and still do, impose quotas on countries that are non-members of WTO.

A clothing industry emerged in Cambodia in the early 1990s, when investors from primarily Hong Kong, Taiwan, Malaysia and Singapore set up production – mainly to take advantage of its very cheap labour costs, relatively reliable electricity supply as well as the low tax rates levied on investors (Polaski 2009, Arnold and Shih 2010). Employment in the industry grew from 15,000 in 1995 to 79,000 in 1998 (Samsen and Sokha, 2006).

Cambodia became part of the MFA quota system in 1999 as a result of the USCTA. It received US quotas for 24 clothing tariff lines, making up around 57% of Cambodian

[20] "At the outset of the programme, working conditions in Cambodia were extremely poor, with brokers' fees to get jobs, forced overtime, illegal pay deductions and child labour all featuring prominently" (Arnold and Shih 2010).

clothing exports at the time. The USCTA allowed for an increase in Cambodian quota of 6% p.a. subject to the normal condition of quota filling. The US had a very large number of agreements of this kind. What was unique about the USCTA was that allowed for an additional annual quota increase of 14% p.a. subject to "...the Royal Government of Cambodia...support[*ing*] the implementation of a programme to improve working conditions in the textile and apparel sector, including internationally recognized core labor standards, through the application of Cambodian labour law" (USCTA text). The agreement stated that, during each year that it would run, the US government would make a decision in December as to whether this additional increase would be granted, varied or refused, based on 'specific benchmarks'.

Since NAFTA was signed in 1992 the US has included clauses on labour standards in most of the bilateral trade agreements and offers that it has been party to. This was in response partly to US consumer opinion but partly also to US clothing unions and employers who complained that they could not compete on a level playing field with imports from countries where there was no regulation of labour conditions. In the run-up to the USCTA similar concerns were expressed about Cambodia, where very poor labour conditions had been exposed by NGOs in campaigns aimed at Nike and other leading brands – indeed, Nike had ceased sourcing from Cambodia in the light of these exposures.[20] By this time the US opponents of bilateral trade arrangements were arguing that their enforcement mechanisms on labour conditions – suspension of benefits or imposition of fines – were inadequate. Thus, in the USCTA, the US government decided to experiment by providing incentives for improvement alongside the usual sanctions for non-improvement of labour conditions.

Programme description

BFC was set up in mid-2001, after eighteen months of negotiations aimed at finding a suitable implementation method and an implementer. ILO agreed to be the implementing body, while the implementation method was set up as follows. Cambodian-based companies applying for or obtaining quota have to be members of GMAC, register with BFC and submit to regular independent monitoring of their labour conditions against the ILO code. BFC trains and employs Cambodian monitors for this purpose. GMAC contributes around 14% of the monitoring costs and the Government of Cambodia another 14% (Polaski 2009).

When inspecting factories, monitors record information on about 500 indicators. These refer mainly but not exclusively to the following variables:

- Observance of minimum wage for regular, casual and piece-rate workers
- Observance of correct overtime rate for regular, casual and piece-rate workers
- Observance of entitlement to 18 days of annual leave
- Observance of entitlement to maternity leave with payment or partial payment
- Observance of entitlement to paid sick leave
- Observance of requirement that overtime shall be voluntary
- Observance of requirements concerning 'exceptional overtime'
- Overtime limited to 2 hours per day
- Provision of Personal Protective Equipment

Non-compliances are noted and lists of remedial actions then proposed to the management. Monitors then return to check if these have been implemented. The findings of the monitors' re-inspections are then published, with (from 2002 onwards) the names of the corresponding companies made available publicly. There has been no BFC sanction against individual companies failing to adopt remedial actions, but since information about corporate-level labour practices has been made available to US and other buyers, the assumption has been that they would lose market access as a result. Moreover, if a sufficiently large number of companies were to fail to implement remedial actions, then the US government would punish Cambodian suppliers collectively (Wells 2006).

All company monitoring was (and is) theoretically supposed to take place on a 6-monthly basis. In practice it has been less regular. Nevertheless, many companies were monitored on two to three occasions between 2001 and 2005. It seems that virtually all Cambodian-based companies exporting in their own right to the US, including all those who were members of the GMAC, registered with BFC. By 2010 some 300 enterprises had registered (www.betterfactories.org). The same year there were 32 'international subscribers' to BFC Synthesis Reports, including H&M, Nike, Gap and a number of other very big buyers.

In addition to undertaking monitoring BFC engaged in training and capacity building of government staff, clothing company managers and trade union officials (the last of these in courses lasting 12 months); and awareness raising amongst ordinary workers. A worker outreach programme involved production and distribution of soap opera style videos and of comic books on labour issues (Shea et al. 2010). It is not clear how extensive these activities have been.

A parallel initiative undertaken in conjunction with BFC, but not directly through it, was the Labour Dispute Resolution Project, established in 2002/3 following a

request by the ILO. This established a tripartite arbitration council for resolving labour disputes in Cambodia (not only in the clothing industry) that could not be resolved by the Ministry of Labour. If disputes are referred to the arbitration council there is a legal obligation for employers and unions to participate. However, both employers and unions have to agree in advance that the arbitration council's decision will be binding if this is to be the case. The arbitration council is a fast process, with all decisions being made within fifteen days of referral (Shea et al. 2010).

Assessment of the impact of BFC

An assessment of the impact of BFC's activities can be grouped under the following headings: (i) the effectiveness of its monitoring activity; (ii) the effectiveness of the BFC-related arbitration council system; (iii) the extent to which the results of BFC monitoring, together with the labour clauses in the USCTA, have led to improvements in Cambodian clothing industry labour conditions; (iv) the extent to which the results of BFC monitoring, together with the labour clauses in the USCTA, led to increases in Cambodia's quota up to the end of the MFA. Since there appear not to be any BFC or US government commissioned assessments of the programme's impact, the discussion on these points will be based on the academic literature on BFC.

Discussion of these points will be followed by a review of the post-2001 development of the Cambodian clothing industry and of employment trends in it. This in turn will be followed by a discussion of the links between the objectives and outcomes of the programme on the one hand, and poverty reduction on the other.

The effectiveness of the BFC monitoring system

Four main concerns have been raised about BFC's monitoring of labour conditions. The first bears on restriction of monitoring to enterprises that are members of the GMAC. This excludes enterprises used by GMAC members as sub-contractors. Sub-contracting is very common in developing country clothing sectors but its extent is almost impossible to determine as a result of its generally subterranean character (for control purposes, larger international buyers typically include clauses prohibiting sub-contracting in their agreements with exporters). Labour conditions are likely to be worse in sub-contracting businesses than they are in large export enterprises, but this will not be visible in BFC monitoring results.

Secondly, critics have stated that BFC's monitoring methods are flawed in other ways. Audits are supposed to take place without prior notice. However, in practice,

exporters appeared to receive notice and because exporters knew in advance that audits would take place, they could 'prepare' workers in advance to give answers that auditors wanted to hear. In respect of the parts of audits that involved inspection of written records (e.g. cards used by workers to record starting and finishing times each day), auditors could be misled by exporters using double sets of records. It should be noted that exactly the same concerns are repeatedly raised by critics in relation to audits for various private labour standards. They are by their nature difficult to prove or disprove.

Finally concerns have been raised about the methodology used. According to Shea et al. (2010) the different monitors employed by BFC did not record non-compliances and proposals for remedial actions in the same ways, making it difficult to estimate overall rates of compliance.

The effectiveness of the arbitration council system

According to Shea et al. (op. cit.), the arbitration council system represented a major improvement in terms of labour rights relative to the mainstream Cambodian legal system, which was characterised by low quality of personnel, corruption and pro-employer bias. But its effectiveness was nevertheless reduced by the fact that employers could opt for arbitration to be non-binding, and by problems in implementing rulings even where binding had been agreed. Because the council did not have the status of a formal legal entity there was no legal enforcement mechanism. The council itself claimed a 68% 'success rate' in cases,[21] but this was difficult to independently substantiate.

The extent to which the results of BFC monitoring, together with the labour clauses in the USCTA, have led to improvements in Cambodian clothing industry labour conditions

Two academic studies have trawled through the archives of BFC monitoring reports in order to construct panels of enterprises where comparisons of audit results could be made across time (BFC did not follow a system where every enterprise was audited at fixed intervals). Wells (2006) established three panels of 178 enterprises in all (out of around 260 GMAC members at this time) that had been monitored three times or more between 2002 and 2005. The overall picture was of a majority of enterprises making some progress across most variables, although there were sizeable minorities of

[21] Successes were defined as cases where conciliation between parties occurred without resort to the arbitration process, cases where there was full or substantial implementation of contested awards and cases subject to an agreed post-arbitration settlement.

enterprises where unresolved problems persisted for almost every variable considered. Wells also examined responses to proposed remedial actions for one of the panels, finding an implementation rate of around 50%.

Shea et al. (op. cit.) established a panel comprising around 9% of GMAC members where enterprises had been monitored more than once from 2002 to 2009. Again, the overall picture was of a majority of enterprises making some progress across most variables. However, sexual discrimination (non-hiring of women with young children) was a persistent problem, as was non-implementation of a Labour Code provision requiring workplaces with >100 female workers to provide crèches. The authors further note an attribution problem in relation to a major improvement they note in terms of forced overtime. Almost all enterprises had ceased resorting to forced overtime, but this was in a context where inflation had eroded the real value of the minimum wage and hence where workers were more likely to volunteer for overtime.

Shea et al. also undertook a number of interviews with stakeholders in the sector, predominantly workers and worker organisations, on whether improvements in labour conditions had occurred. Their conclusion was that, in general, they had. Wells meanwhile cites a "World Bank survey of 2004 that found Cambodia's labour standards compliance (now) ranked ahead of all its regional competitors."

The extent to which the results of BFC monitoring, together with the labour clauses in the USCTA, led to increases in Cambodia's quota up to the end of the MFA

The US government awarded Cambodia 9% labour standards-related increases in quota both in 2000 and 2001, before BFC's monitoring mechanism was established. Subsequently it awarded another 9% increase in 2002, a 12% increase in 2003 and an 18% increase in 2004. All the increases were based on US government determinations of 'substantial compliance' with the terms of the USCTA but none of them referred to defined benchmarks and it is unclear whether there was any input from BFC to the process.

Industrial growth, employment growth and poverty reduction

From a negligible level in 1996, Cambodia's clothing exports to the US reached a value of US$104 million (0.24% of US imports) in 1997 and US$381 million (0.80% of US imports) in 1998, on the eve of the USCTA. During the lifetime of the agreement, Cambodia's share of US clothing imports continued to rapidly grow, to reach 2.49% in 2005. Despite the lapsing of the agreement (and of the MFA) that year, they grew further to ca. 3.0% of US clothing imports in 2006, where they have

stabilised since (Table 3). This indicates that the agreement together with BFC apparently succeeded in increasing Cambodia's US market share, and that this increase has subsequently proved a sustainable one.

Table 3. Cambodia's clothing exports to the US

Year	Value (US$ million)	US import share (%)
1995	0.5	0.00
1996	2.5	0.00
1997	104.0	0.25
1998	381.0	0.80
1999	625.0	1.23
2000	844.0	1.47
2001	961.0	1.70
2002	1042.0	1.83
2003	1309.0	2.14
2004	1429.0	2.21
2005	1713.0	2.49
2006	2136.0	2.98
2007	2425.0	3.28
2008	2376.0	3.32
2009	1871.0	2.96
2010	2222.0	3.11

Source: www.otexa.org

BFC's argument is that better labour conditions in Cambodia have contributed to the growth and subsequent stabilisation of the country's market share. This has occurred through two mechanisms – firstly, as a result of 'responsible' US buyers sourcing a larger proportion of their imports from Cambodia on reputational grounds; and secondly, as a result of the positive impact of the programme on labour productivity. This is said to have occurred as a result of better worker motivation and greater employer–union cooperation. On the other hand it also seems to be the case that, despite relatively high levels of autonomous worker organisation,[22] wage levels in the industry have stabilised at a very low level. References in the literature since 2004 to the average monthly wage rate have all put this at around US$60.

[22] Samsen and Sokha (op. cit.) estimate union density in the industry to have been 40% in 2004. Wells (op. cit.) two years later claimed that it was over 90%. A BFC report from 2008 put it at 43%.

While this has contributed to the sector's continuing industrial competitiveness, it means that the main impact on poverty likely to arise from 'export growth with good labour conditions' is through increased employment. Direct employment in the enterprises owned by GMAC members is said to have grown from 79,000 at the beginning of the USCTA to 280,000 in 2005 (Samsen and Sokha ibid.). Shea et al. (2010) give a figure for 2009 of 350,000. Samsen and Sokha estimate that probably an additional 70,000 persons were employed directly in the industry – presumably by sub-contractors – in 2005, and that there was an aggregate multiplier effect from the industry of a further 150,000 jobs. In other words, by 2010 more than 600,000 persons were in paid employment in or as a result of the industry.

A large majority (59%) of the 2004 workforce were childless young women. Of these, 90% remitted between US$10–30 per month to their families in the countryside (ADB 2004). Thus by 2010 it is likely that more than US$50 million per annum was being remitted to Cambodia's rural areas by workers in the sector. However, no studies exist on what these remittances are invested in, or on the net impact on Cambodian agriculture of the exodus of female labour to the cities.

Conclusions

BFC, together with USCTA, appears to have been successful in generating substantial additional employment and thereby incomes in Cambodia, although the usual problems of exact attribution are evident. The programme's initial agenda was mostly framed in terms of promoting decent working conditions rather than poverty reduction as such, although a link between these two variables is sketched in later programme documentation (reputational improvement and improved productivity combine to create greater international competitiveness).

To what extent are there lessons to be learned in terms of the level of the intervention, its sectoral target, its institutional form and its national and regional contexts? In terms of level, the intervention was firmly pitched at the meso-level – an initiative to increase the opportunities for and at the same time upgrade a specific sector of the economy. There was no attempt to directly assist individual enterprises, or (apart from the creation of the arbitration council) to promote measures or institutions with a remit outside the clothing sector.

Against this background, the question arises of the extent to which the programme's successes related to the focus on the clothing sector. The answer appears to be that

they were. The clothing industry is undoubtedly highly labour-intensive, which means that its growth can have major implications for poverty reduction even though wages are typically low. In terms of international trade and investment moreover, it has been one of the most footloose globally over the last half century. This means that countries can expect substantial short-term benefits from it, arising from increased international sourcing as well as increased FDI. On the other hand, as the earlier discussion of AGOA (see pp. 17–21) makes clear, a question mark exists over the sustainability of the gains unless a sector in a particular country can stabilise a long term competitive advantage. In clothing this probably requires major investment in product quality as well as backward integration into textiles as well as low prices and decent labour conditions. The industry in Cambodia survived two important shocks – the phase out of the USCTA and the MFA in 2005 and the global recession of 2008/9, but whether this short-term sustainability translates into a long-term one remains unclear.

In terms of its institutional form, the programme was relatively unique. It combined an orthodox trade preference intervention (increased quota) with a labour standards intervention, with the ILO as its implementer and little or no attempt at direct embedding in Cambodian institutions (except, again, through creating the arbitration council). The combination of the two types of intervention is interesting and perhaps worth exploring further. And, rather counter-intuitively, the lack of a local institutional anchorage does not seem to have detracted from Cambodian entrepreneurs taking the programme seriously. Indeed, the ILO's involvement almost certainly made them take it more seriously than they might otherwise have, since it was clear that it would increase buy-in to the programme amongst international buyers.

A question remains concerning the extent to which the success of the programme was owed to its location in Southeast Asia, the heart of the international clothing industry since the 1980s. Cambodia's rise in the global clothing industry has, in recent years, been matched only by that of its neighbour Vietnam. Vietnam signed a bilateral trade agreement with the US in 2000, prior to its accession to WTO. While this contained no special provisions or concessions on textiles it led to a sharp increase in Vietnamese exports to the US, apparently as a result of tariffs on Vietnamese imports falling to the levels applied by the US to other 'most favoured nation' trading partners. Quotas on clothing imports were introduced in 2003, and remained in force until 2007 when Vietnam acceded to the WTO. 'Normal' annual increases were built into these, but no special additional ones relating to labour conditions.

The region's success in the contemporary clothing trade is due to a number of factors including cheap labour, relatively favourable treatment of foreign investors, and the proximity to China that brings with it short lead times for raw materials, a large base of mobile, well-qualified managers and technicians, and a critical mass of international buyers. Thus the replicability of the success of this type of programme outside of the region is open to question.

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www.betterfactories.org

The Katalyst Programme, Bangladesh

Katalyst is a scaled-up business service development programme, dating from 2002 and financed mainly by DfID, the Swiss Development Cooperation and the Canadian International Development Agency (CIDA). It is now in its second phase and will run to 2013. The budget for Phase II of the programme is CHF 50.7 million. The programme is implemented by Swisscontact and GTZ. The objective of the programme is to 'accelerate pro-poor growth' by improving the competitiveness of certain sectors. These include some MSME manufacturing sectors as well as some agricultural sectors. The sectors concerned produce or deliver services both for the export and the domestic market. A programme impact assessment from 2009 states that, up to this point, it had 'directly impacted' 728,000 MSMEs, 'indirectly impacted' another 941,000 and contributed to the creation of, in total, 183,000 jobs (www.deza.admin.ch).

Programme context

Bangladesh remains one of the poorest countries in Asia despite relatively high GDP growth, and furthermore faces the challenge of providing food security for its massive population of more than 130 million people living in an area only about three times larger than Denmark. Formal manufacturing in Bangladesh was traditionally dominated by processing of its main export crop, jute, but in recent years the country has also had some success in establishing a large clothing industry. Nevertheless, the great bulk of employment remains in millions of small and micro-enterprises. Preferential access to developed country markets (through e.g. Everything But Arms), the large domestic market and the existence of a large pool of extremely cheap labour provide interesting opportunities for private sector development. The programme's activities are nationwide, with a special focus on areas in and around Dhaka, Faridpur, Rajshahi, Rangpur, Bogra and Jessore.

The discussion below will focus on the programme's interventions in the inland aquaculture sector. According to the programme around 10% of Bangladesh's population is directly or indirectly dependent on fisheries, and fisheries accounts for 6% of the country's export earnings. Activities in the sector are of four kinds:

- Marine fishing (which is declining due to over-fishing);
- Marine aquaculture (which is primarily export-oriented shrimp farming, demanding considerable investments from producers and primarily interesting

from a poverty-alleviation angle by virtue of the job-creating effects it may have. Marine aquaculture is capital intensive and the costs involved for feed and logistics are prohibitive for average investors (Ahmed et al. 2008).

- Inland fishing, which is also heavily declining because of over-fishing and problems of environmental pollution (de Graaf and Latif 2002); and
- Inland aquaculture or pond fish farming. This has expanded considerably in recent years, driven by declining local fish availability from inland fisheries and by the country's economic as well as demographic growth, which has resulted in consistently rising prices. Inland pond fishing has been traditionally carried out mainly by wealthy and 'medium wealthy' farmers, in contrast to fishing in open water sources, which has been the domain of the poor. The fact that livelihoods based on inland fishing are becoming unsustainable points to the desirability of including the poor in inland aquaculture.

According to an analysis of the pond fish farming value chain in Faridpur region, performed for Katalyst by de Wildt (2007), the chain begins with spawn collectors who collect spawn mostly from natural sources and who then sell it on to hatcheries which grow fry. The next link in the chain is nurseries, which may be integrated with hatcheries or run independently. These grow fingerlings from fry and sell them on (directly or indirectly) to farmers. From these fingerlings farmers grow table fish which is then sold to travelling traders or to brokers in local markets. From local markets it is sold domestically or for export on the regional market (India). At the time of the intervention's design, there was no trade between the pond fishing chain and the global market. In all, there were around 22,000 fish farmers and around 20,000 other MSMES involved in the chain in 2007 (de Wildt op. cit.).

Programme description

The programme supports a wide range of 'pro-poor private sector development' activities, mostly at meso-level. In earlier programme documents these are described mainly in terms of delivery of business services to MSMEs, but more recently they are described in terms of following a 'making markets work for the poor' approach, in terms of value chain interventions, and/or in terms of promoting an 'enabling environment' for small-scale business.

'Making markets work for the poor' approaches entail "changing market systems in a way leading to sustained poverty reduction via increasing access to opportunities and building capacity to respond to opportunities" (http://www.m4phub.org/

m4p-in-practice/). In turn, this typically entails activities aimed at improved service delivery, enhanced information provision, better incentives for market participation, strengthened enterprise capabilities and strengthened sectoral practices. A value chain approach, in the sense employed in the programme, involves establishing dialogue between producers or suppliers, end users and various levels of intermediaries along the marketing chain for a specific product. Jointly they aim at identifying bottlenecks which it is in their collective interest to overcome, at facilitating contract arrangements and supporting information and service delivery, as well as fostering associations, skills development and learning. The 'enabling environment' in this context refers mainly to the regulatory context in which enterprises operate.

Katalyst does not give direct support to firms and farms. Instead it analyses and identifies key markets with the potential to generate pro-poor growth. Through this analysis, it develops a picture of how market players in a particular sector might cooperate or otherwise act to increase competitiveness and reduce poverty (Miehlbradt 2009).

Katalyst's operations are organised into three main divisions, Services, Small-scale Industries and Rural Markets including Cluster Services. In addition there is another division entitled Centre of Excellence and Regulation (COE/R), covering regulation, media services and 'Centres of Expertise' on cross-cutting issues. The Services division supports capacity building within areas such as accounting, quality management, marketing services, IT-related services and legal advice services. The Small-scale Industries division works with the plastics, knitwear and agricultural tools and machinery sectors. It assists in improving access to technology, helps bring potential partners together, improves advocacy capacity, helps provide market information and advises on improving productivity, amongst other things mainly through staff training programmes. The Rural Markets division worked initially on participatory studies aimed at identifying bottlenecks in the commodity chains for vegetables and farmed fish. On this basis it then assisted in improving access to agricultural inputs and training, and in promoting adoption of new and improved production techniques. In the vegetable sector this has entailed providing access to information on proper use of chemicals and pesticides, providing access to quality inputs, introducing new varieties etc. The intervention in the 'pond' fish-farming sector will be treated in detail below.

Katalyst support to pond fishing

The main beneficiaries of the programme were designated as 'small and marginal fish farmers', defined as those holding 0.5–2.5 acres of land. Their average incomes from

fish farming prior to the programme were around US$285 per acre. In most cases this was not their only, or even main, source of income.

Following a participatory analysis of the value chain, programme staff identified two major problems. The first was low quality and high mortality of fingerlings (undersized and unhealthy fingerlings due, in particular, to the hazardous nature of the way in which they were transported, leading to high mortality), and poor traditional farm production practices (outdated culture techniques, low quality feed, no use of fertilisers, inadequate and insufficient farm preparation and maintenance, overstocking, etc.). Following this, three main areas of intervention were undertaken from 2004:

- Facilitating the development of a physical fingerling market
- Providing training for nursery staff
- Strengthening pond fishers associations by training their leaders
- The focus of these interventions at the time was production for the domestic and regional market. Subsequently, however, a focus on global exports was added. In this regard three further areas of intervention were identified:
- Work with national feed and aqua-chemical companies to boost the volume and quality of production
- Work with frozen food exporters to facilitate the development of export products
- Work with processing plants to develop value-added fish items and to strengthen links with fish farmers

The latter activities, where they have commenced, have been partly based in areas other than Faridpur.

Initially the programme's main focus was on promoting the creation/construction of a physical market in Faridpur, where farmers could buy and sell quality fingerlings. It was assumed that this would improve fingerling quality and reduce mortality. Furthermore, the idea was that such a market would also promote exchange of information and ideas. Katalyst, however, was not willing to finance construction as such, only feasibility studies and capacity building workshops on how the market should be organised. Eventually the market was constructed, but never succeeded according to expectations. It subsequently closed after less than a year. Surprisingly, this failure did not affect the successes that the programme states that it has had in its two other areas of initial activity (de Wildt 2007).

Providing training to nursery staff was carried out mainly through workshops and practical training. Much of the nursery training was aimed at strengthening links along the value chain by focusing on nursery–farmer relationships. By 2006 the staff of 400 nurseries (with 6,750 farmer clients) had been trained at a cost of US$25,000.

110 leaders of fish farmers associations (FFAs) were also trained. According to programme documentation the extent of training of FFA members that occurred was much greater than this, as many FFAs undertook it after their leaders were trained. Training occurred in partnership with the Faridpur Fisheries Association which, according to Katalyst, had the advantage of enjoying local legitimacy as some of its leading members were respected fish farmers. The association had members from all interest groups.[23] The main emphasis of the training of the associations was on "how to strengthen relationships between members and management and among members with different types of business" (de Wildt 2007).

Programme documentation so far describes activity in only one of the activity areas planned for development of export production. Since it is envisaged that fish produced in this activity area will be also sold on the domestic market, it in fact overlaps between the two focuses. The immediate objective of the activity is dissemination of cultivation of monosex tilapia. This is being undertaken via formation of a partnership with two feed companies and the District Fisheries Association in greater Rangpur and Dinajur region. To date the partnership has resulted in "25 demonstration plots, 5 dissemination workshops and several exposure visits", resulting in production by three hatcheries and cultivation by about 500 farmers.

Assessment of the impact of Katalyst

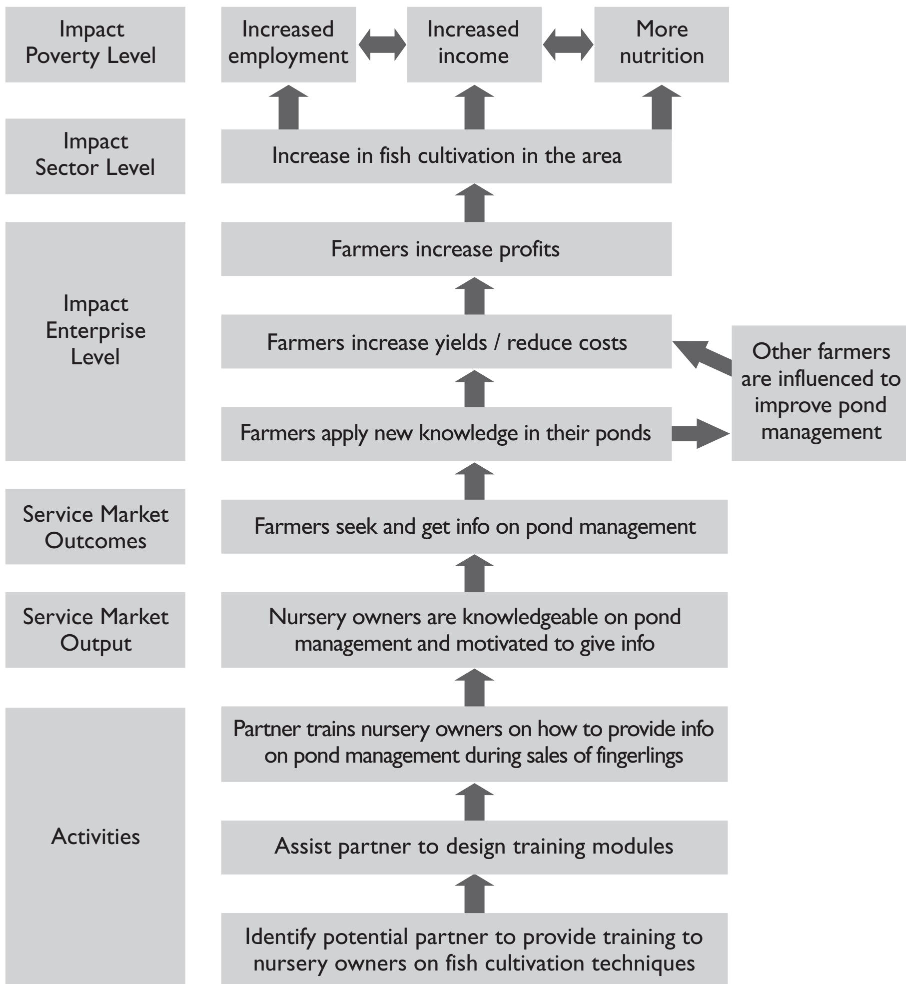
Only one of the interventions conducted by Katalyst has been assessed in any depth – that concerned with training of nursery staff (Bekkers et al. 2008, Miehlbrandt 2009). Bekkers et al. (2008) begin by pointing to a number of specific difficulties in assessing programmes like Katalyst, which work with a 'making markets work for the poor' approach. One of the more important of these is that, because interventions 'work with the poor' without directly targeting interventions on them, it is hard to determine who is a direct and who an indirect beneficiary. Another is that working through intermediaries also tends to make the links between activities undertaken

[23] Or, as stated in de Wildt's (2007) report, "hatcheries, nurseries and a few farmers", which seems to indicate that it was not an association of the poorer segments of the fish producers, but more of people 'ready for business'.

and changes in the incidence of poverty rather tenuous. To confirm that there is a relation it is necessary to specify some intervening mechanism and to verify that it in fact functions in the manner assumed.

According to Bekkers et al. in respect of Katalyst's activity in the area of 'providing nursery training' (assessed in 2007), the assumed poverty-reducing mechanisms following from provision of nursery training are as depicted in figure 1 below:

Figure 1. Fish Fingerling Nursery Training Logic



(*Source:* Bekkers, Miehlbrandt and Roggeberg, 2008)

Bekkers et al.'s assessment involved seeking to measure whether trained nursery staff passed on more and better information to the next link in the chain, hawkers and farmers, than nursery staff who had not been trained. They further sought to measure if hawkers buying from trained nursery staff passed on more information than those who bought from staff of untrained nurseries.

The method they chose involved surveys of treatment and control groups of nursery staff (55 trained and 60 untrained), farmers (165 buying from nurseries that were trained and 165 from nurseries that were untrained), and hawkers (55 buying from nurseries that were trained and 60 from ones that were untrained). The results showed that significantly larger numbers of farmers who had bought from trained nurseries could recognise and remove unwanted fish and that significantly larger numbers of hawkers buying from trained nurseries understood proper fingerling release. Probably as a result, the farmer treatment group experienced a significantly better development in fish mortality rates than the control group. They also had higher levels of productivity than the control group, although the differences in this case were slight.

Based on programme estimates of the number of fish farmers who had received information from trained nurseries (6,750) and of those to whom information had been passed on indirectly (12,000), the assessment went on to claim that the intervention increased fish farmers' incomes by an aggregate of US$140,000 over a three year period. There were further poverty-related impacts through the expansion of farm fish production, increased employment on farms (estimated at 4,488) and increased own consumption of fish. It is not clear how the size of the group of indirect beneficiaries (those to whom information is supposed to have been passed on) was estimated. Indeed, there is little historical or comparative evidence that information of the kind referred to is willingly shared by fish farmers.

The assessment does not refer to any results referring to gender. Pond fishing appears to be largely a male activity in Bangladesh, and assessments attempting to measure poverty impact should arguably consider the gender dimension. Moreover, although the farmer sample was stratified by size of (agricultural) farm holding, results for the different categories are generally not reported separately. Nor is size of farm holding controlled for in computations of average incremental income. De Graaf and Latif's (2002) assessment of an earlier inland aquaculture programme in Bangladesh[24] reports attainment of a large increase in yields but notes that, as landless people and

[24] The Compartmentalization Pilot Project.

small farmers jointly produced only 26% of the total volume, the aggregate poverty reduction achieved was limited.

A further issue for the purposes of this study is that the impact assessment referred to here does not distinguish impacts for the part of production destined for the local market and the part destined for the regional (Indian) market. Indeed, it is impossible to do so since the two marketing chains become distinct only further downstream, where some of the fish are bought by traders operating in markets serving the immediate area and others are bought by traders in what de Wildt calls 'assembly markets', serving other parts of Bangladesh as well as India.

With these reservations, it is nevertheless clear that this particular area of intervention did have a positive poverty-reducing impact. Whether the programme as a whole also had such an impact is less clear. The activity aimed at creating a physical market failed, while the more explicitly export-enhancing part of the programme has yet to be assessed. Given the sequencing of the activities proposed, doubts may be raised about the likelihood of a positive outcome in this even prior to any assessment being undertaken. It appears that it is planned to involve existing formal exporters in this part of the programme only at a later stage, after investments have been already undertaken in production of fish and improved fish inputs. A similar logic in KHDP (see later) and other horticulture programmes appears to have contributed to their sub-optimal outcomes.

Turning to questions concerning what can be learned from the programme, and in the context of its broad focus on the meso-level, it is clear that there were substantially different impacts obtained as a result of activities aimed at working through different kinds of meso-level institutions. The programme's effort to establish a physical market for good quality fingerlings proved a fiasco. The programme implementers then shifted the focus to upgrading the production quality of a large proportion (around half) of the myriad small-scale private nurseries. They also expanded the service provided to farmers to include the passing on of basic technical advice. The reasons for this redirection of efforts do not seem to have been explicitly analysed but the lesson here seems obvious: that it is more effective to work through inducing small changes in existing institutions than it is to create new ones *ex-nihilo*: especially where creating an economic institution is equated with constructing a physical one.

To what extent did the activity's success depend on its choice of sectors? The answer would appear to be that this choice was important. Despite many donors already

being active in the sector (de Graaf and Latif op. cit.) demand for fish in domestic and regional markets still greatly exceeds production, leading to high prices and good incentives for investment. Furthermore, it appears that it is easy to achieve large increases in production quickly, based mainly on increasing investment of labour in improved monitoring of quality. The national/regional context seems to have also played a role, although perhaps not a decisive one, in terms of the huge scale of the market for the product concerned.

In terms of the questions posed by Humphrey and Navas-Aleman (2010), Katalyst's pro-poor objectives were formulated in terms of increasing productivity and earnings in sectors, value chains and markets where it was deemed in advance that the poor were present, or where entry barriers to their entry were (potentially at least) rather low. These sectors, value chains and markets were not primarily export-oriented, although they served regional as well as local markets and their expansion into global markets was also a programme objective. Beyond the general belief that programme activities would increase incomes and employment, more precise links between them and poverty reduction were not formulated until part of the programme was assessed for the first time. Even this resulted in more of a specification of intervening mechanisms than the development of more explicitly poverty-related indicators.

Assuming that trickle-down effects hold, the programme was successful. In terms of the main topic of this study though, this did not depend substantially on a link to export markets. Indeed it seems unlikely that the fish produced as a result of programme efforts could be traded globally. This points to the usefulness of a wider discussion of the pros and cons of supporting interventions in local and regional market-oriented productive activities rather than globally oriented ones. Certainly, entry barriers in the former markets are often lower than in the latter ones. On the other hand, Katalyst provides no basis to conclude that the poor will directly benefit more.

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Micro-Level Interventions

The EPOPA programme in Uganda and Tanzania

The Export Promotion of Organic Produce from Africa (EPOPA) programme in Tanzania, Uganda and, to a lesser extent, Zambia was a Sida initiative running from 1997 to 2008. It was implemented by a consortium of two specialised organic agriculture consultancy companies, Grolink based in Sweden and Agro-Eco based in the Netherlands. Its objective was to support organic smallholder farmers in producing, certifying and marketing their produce internationally, with the aims of improving the quality of the produce and – through this and product certification – obtaining higher farm gate prices. It was also an objective to promote smallholders' use of more effective and sustainable cropping techniques, mainly through extension. The main mechanism was to be promotion of contract farming schemes, run by private companies. The programme was originally intended to operate in Zambia, Uganda and Tanzania but in practice it was confined to the latter two countries. Its original budget was SEK 15m for a four year period. Total expenditure to 2008 was SEK 108.4 million. The programme's main initial target was to establish five organic contract farming projects on a sustainable basis. It is not clear whether there was a targeted number of smallholders.

Programme context

The programme context had three main dimensions. The first was a growth in developed country market demand for organic produce, from almost zero in the late 1980s to around US$11 billion by 1997. This growth was particularly strong in a central and northern Europe and in Sweden organic sales represented approximately 4% of the entire food market by this time. For tropical products, organic importers were reporting a situation of particularly strong demand and supply shortages. Most market forecasts at the time pointed at continuing growth in demand, albeit at lower rates of growth than those that actually materialised.

A second context was a stagnation (some say decline) in use of synthetic inputs by smallholder farmers in Sub-Saharan Africa against the background of the 'structural adjustment' and dismantling of subsidised systems of public provision in the early 1990s. A result was the increasing prevalence of farming systems that some commentators described as 'organic by default' – based on production that was inadvertently chemical-free. According to the designers of the programme, this vastly simplified its implementation. If farmers were organic in all respects except their certification,

then compliance with organic standards should entail no costs for them other than that of certification itself.

A third context was the current stage of evolution of donor thinking concerning private sector development (PSD). The post-Washington Consensus that support to PSD should concentrate on the 'enabling environment' was still only on the horizon. The mid-1990s were the heyday of private sector development programmes based on direct support to individual enterprises. The original design for the EPOPA programme originated in SwedeCorp, a branch of Swedish assistance wholly devoted to individual enterprise support, before being absorbed into Sida when SwedeCorp was phased out in 1997/8.

Programme description

By 2008 the programme had supported establishment of a total of 31 organic farming contract schemes, of which 19 were in Uganda and 15 in Tanzania. In relation to each scheme, its support typically unfolded in a series of stages: commissioning feasibility studies; training of export company staff and lead or contact farmers; setting up demonstration plots; supporting the establishment of 'internal control schemes' (systems for registering smallholders' production units and recording estimations of their output that would be used to verify the integrity of the scheme's purchases); supporting the establishment of scheme quality management mechanisms (transparent measures of product quality that would be used to grade and accept or reject produce); and supporting marketing initiatives including surveys and trade fair participation. No support was provided for costs of certification, which it was expected that exporters would meet in full.

In most cases, support was provided to exporters in the form of TA, mostly delivered by established locally-based organic practitioners. Only market surveys, where requested, were prepared by experts based in Europe.

For the programme's interventions to be economically feasible and sustainable, it was necessary for these activities in Africa to be complemented, for a time at least, by lobbying in Brussels. In 1997 the only type of organic certification recognised in the European Union was of individual operators (farmers, processors, etc.). Individual certification of for example 5,000 smallholders would have cost an African-based exporter between €2–3 million and thus been prohibitive. Therefore the programme implementers designed a form of group certification, resting on the internal control

system device, under which inspection for certification purposes would be required for only a small sample of farmers (and costs reduced accordingly). This arrangement was accepted as a basis for certifying production in developing countries by EU authorities from 1998, just as the first EPOPA schemes were coming on stream.[25]

There were no criteria for how large schemes should be or on what crops they should be centred. But the programme initially worked almost exclusively with large (>5,000 smallholder) or very large (>10,000 smallholder) schemes based on traditional tropical export crops – coffee, cotton and cocoa, linked to well-established international trading companies or cooperative unions. Later, following the suggestions of internal Sida evaluators, EPOPA supported a number of much smaller schemes, some with only 25–50 smallholders. A number of these schemes were for non-traditional agricultural exports including spices and fresh and dried fruits, and were linked to local indigenous African entrepreneurs, sometimes with little experience of exporting.

As the programme progressed and the 'enabling environment' narrative took greater hold in Sida, the implementers were also strongly encouraged to support local NGOs promoting organic agriculture, to encourage the formation of local organic certification bodies and even to develop a regional organic standard and certification process for East Africa. Where local organic NGOs were formed, these too generally pressed for a higher proportion of support to be directed towards smaller, African-run schemes. According to a 2004 Sida evaluation, the broadening of EPOPA's activities to include work in these areas significantly improved the programme's local ownership.

While the programme's immediate beneficiaries were exporters, its ultimate beneficiaries were intended to be smallholders. Benefits for the latter were expected to arise from:

- A premium price for organic production as well as for improved quality
- More transparent price-setting
- Increased agricultural production as a result of adoption of 'active' (as opposed to 'default') organic farming methods, as a result of extension
- Improved household well-being resulting from increased income and consumption of healthier food

[25] There remain no provisions for group certification of European farmers in EU organic regulations.

Benefits to the environment resulting from the more widespread use of organic farming methods, including better tree cover and greater biodiversity, were also anticipated.

The programme was established, and proceeded, in the absence of much interest from the governments of the recipient countries. For a period this was possibly beneficial, since it meant that there was no pressure on the implementers to favour inclusion of any specific exporter or group of farmers. However the absence of local 'ownership' was later to be experienced as a weakness, when in Uganda the government insisted on introducing public health measures that would threaten the certifiability of exported produce throughout the country.[26]

Assessment of the impact of the EPOPA programme

The EPOPA self-assessment and Sida evaluations

According to the programme's final report (EPOPA 2008), the contract farming projects it supported in Tanzania and Uganda were exporting produce worth around US$15 million per year by 2007. Although it is not clear if they were all certified, 110,000 smallholders are said to have 'participated' in the programme. In any event, the report states that of the 110,000 participating smallholders, 80,000 were actively selling their produce through the schemes. On average, those engaged in the schemes sold produce through the schemes worth US$186 p.a. in 2007. It is noted that this was considerably less than had been anticipated. Several explanations were offered, including the complete failure of some schemes and only intermittent buying by exporters from others. The latter is attributed to the tendency for the international markets for some organic products to experience periodic oversupply, leading to falling prices and exporters' withdrawal from them. Besides promoting the development of contract farming, the programme also successfully facilitated the formation of national organic sector umbrella organisations in Uganda and Tanzania as well as a national certification body in each country (Tancert and Ugacert).

In respect of one of the programme's other central objectives, encouraging farmers to switch from farming techniques that were 'organic by default' to ones that were

[26] The measure in question was an anti-malarial requirement for all permanent structures including farmhouses and buildings to be sprayed with DDT, a prohibited substance under EU organic regulations. It appears that the measure remains unimplemented.

more genuinely or pro-actively organic,[27] the final report notes much lower levels of success. Relatedly, no claims are made in the final report that the programme had any impact on either local biodiversity in scheme areas or in the crop yields of participating smallholders, except in the latter case by citing in passing Bolwig et al. (2008) (see below). Rather than providing an explanation for these failures, EPOPA (2008) simply notes, "it is not the first time that an agricultural development programme has encountered challenges of this kind".

The programme final document also makes a series of other self-critical points. Firstly (and in line with observations made in two Sida evaluations (Forss and Lundquist 2005, Forss et al. 2008) the implementers consistently underestimated the challenges in setting up successful contract farming schemes, with a result that scheme proposals frequently underestimated gestation periods and tended to be overoptimistic in their targets.

Secondly, the programme proved much more successful in Uganda than in Tanzania, especially in terms of actively participating farmers and average additional income generated per participating household. The final report (op. cit.) attributes this to the following factors

- EPOPA's externally-recruited staff in Uganda was better qualified
- The programme ran for a longer time in Uganda
- It was easier to find interested, qualified and committed exporters in Uganda with the necessary capacity. Furthermore, competition between exporters in areas where contract farming schemes were started improved returns to farmers
- Ugandan farmers were more familiar with contract farming arrangements than Tanzanian ones, who normally either sold to public bodies or at local markets
- Infrastructure was slightly better in Uganda and the proximity of market outlets made it easier for farmers to participate
- There is less regulation in Uganda; in Tanzania government not only regulated more but also changed the marketing rules whenever it suited them, undermining contract farming arrangements

Finally, EPOPA (2008) notes that the programme faced challenges in mainstreaming Sida's cross-cutting themes of support. For example, "adding an HIV/AIDS-com-

[27] Handbooks on organic farming (e.g. Larkin 2010) define it in terms of a soil management system whereby a range of non-chemical based techniques such as rotation and fallowing, manuring, mulching and providing shade are used proactively to build soil fertility.

ponent proved difficult and did little to clarify the objectives of the programme to farmers".

As implied by the above discussion, EPOPA's self-reporting of impacts is relatively frank. Assessment of EPOPA is further facilitated by the existence of two published Sida evaluations and a number of academic studies. Indeed, the programme is probably the most intensively studied of its kind.

The two Sida evaluations are generally highly positive, and other than in making the points concerning EPOPA already noted tend to be more critical of Sida itself than the programme is. It is noted that Sida never knew where to locate the programme, organisationally or methodologically, as it had little or no interest either in contract farming or in direct enterprise support more generally.

Independent research

An early academic study on an EPOPA-supported scheme in north-western Tanzania (Wietheger 2005) raised the criticism that, despite the programme's claims to be pro-poor, it did not benefit the poorest group of farmers in the scheme area. Indeed, the latter decreased their involvement in coffee production[28] – the subject of the scheme – over a five year period. This reflected a confusion between support to smallholders and support to the poorest. While these latter generally carried out some farming, their participation in the sector was mainly (and apparently increasingly) as labourers on the farms of larger smallholders. However, Wietheger did not investigate whether there may have been welfare benefits resulting from increased wage work on coffee farms for the poorer group of smallholders that she identifies.

In 2005 an agreement was established between EPOPA's implementers and a consortium of researchers based at the Danish Institute for International Studies (DIIS) and Sokoine University of Agriculture (SUA) in Tanzania to conduct survey-based research which would contribute to an assessment of EPOPA's impact in Uganda and Tanzania. The consortium undertook a census of all Ugandan organic exporters, referring to the 2005 buying season and household-based surveys (with control groups) of four contract farming schemes established with EPOPA support in Uganda and two in Tanzania. In the case of one of these schemes a repeat survey was conducted in 2009, a year after the programme closed.

[28] Measured in terms of number of coffee trees harvested.

The census of Ugandan organic exporters (almost 100% response rate) for the 2005 buying season is reported in Gibbon (2006). The results cast doubt on some of the quantitative claims in EPOPA (2008), even though they refer to data from a period two years earlier than reported in the latter. Gibbon gives figures for fifteen active exporters in all in Uganda – all of whom had received support from EPOPA, contracting a total of 41,400 smallholders (of whom 3,400 were 'in conversion') and exporting produce worth US$6.2 million. The number of Ugandan smallholders given by Gibbon is about half the EPOPA estimate, while the value he gives for Ugandan exports around a quarter of the EPOPA estimate.

Of the six schemes surveyed by the DIIS–SUA consortium, scheme members had significantly higher net incomes from certified crops than control groups in four cases. The differences in question averaged between US$174 p.a. and US$1160 p.a. depending on the scheme. In one of the other two cases (a spice scheme in Zanzibar), the control group had higher net incomes than did the group of certified producers. In the case of three schemes, scheme members also had significantly higher yields than control groups. Again in the case of the Zanzibar spice scheme the relation was reversed. (Gibbon et al. 2010).

The scheme where the mean incremental income from participation was US$1160 was one for fresh pineapple. Both scheme and control group members were well-off by Ugandan standards. The two schemes with the lowest mean incremental incomes from participation were both for coffee.

Regression analyses were used to test for scheme selection and for the income effects of scheme participation. Probit regression was run on scheme membership. Gross farm size did not contribute to selection of scheme members in any of the schemes examined, although stock of trees or bushes for the certified crop did in two cases.

Turning to the income effects of scheme participation, when participation was controlled for factors such as farm size, crop stock, farmer education, household labour force size and use of 'genuine' organic practices, its contribution to net income from certified crops remained significant across four of the schemes. Use of 'genuine' organic farming practices on the other hand contributed significantly to differences in net income from certified crops in only two schemes, and even in these cases the magnitude of their contribution was not substantial.

Based partly on these results and partly on a consideration of the design of the different schemes, the researchers concluded firstly that participation in contract farming as such rather than engagement with organic agriculture was mainly responsible for the impact registered in a number of EPOPA-supported schemes. Secondly, contract farming drove this impact where it was associated with premium prices being offered to participants on a continuous basis. Thirdly, contract farm scheme owners paid such prices on a continuous basis where they enforced demanding product quality requirements on farmers, rather than simply accepting any product as organic that was delivered by certified farmers. This related to the fact that scheme owners could only afford to pay price premiums if they could sell product at a premium on the conventional market even when the organic market was in oversupply.

Turning to other differences between schemes that had positive impacts and those that did not, the researchers found that in the former category was dominated by larger schemes run by international trading houses, while both the schemes in the latter category were run by local indigenous African entrepreneurs with weak financial resources and no experience of conventional exporting.

Summing up

In general, therefore, it can be observed that EPOPA is an example of a rather effective pro-poor export-oriented development assistance programme. This was less in terms of numbers of beneficiaries reached or additional exports created (although these were both respectable enough), and more in terms of its impact on the household incomes of beneficiaries. This does not mean that beneficiaries' incomes were raised in every contract farming scheme that EPOPA supported, or that – even in schemes where they were – its poverty-alleviation impact was that great. Only in the case of a few of the schemes were mean incremental incomes from participation sufficiently great to, on their own, lift households out of poverty.

This is not to say that EPOPA and its activities were problem-free. The programme failed in one of its central objectives – dissemination of 'genuine' organic farming techniques – and thereby also the broader environmental and health benefits that these are supposed to impart. However, this had little bearing on its success in terms of poverty alleviation.

Turning to the assessment questions raised by Humphrey and Navas-Aleman (2008), it is clear that the EPOPA programme based its claim to be pro-poor entirely on its focus on smallholder involvement in contract farming. A study of one scheme (Wi-

etheger op. cit.) observed declining participation by poorer smallholders over time, a point accepted in the EPOPA final report as evidence of the inadequacy of its original design. On the other hand though, none of the schemes studied by the DIIS–SUA researchers showed much selection bias and the one scheme these researchers studied over time showed poorer farmers increasing rather than reducing their involvement. Hence contract farming in general cannot be said to exclude the poor.

While there are no 'pro-poor' mechanisms other than contract farming itself identified in programme documents as contributing to pro-poor outcomes, some of the missing links in this sequence have been subsequently fleshed out by researchers (see particularly Jones and Gibbon 2011). These refer to the existence of price premiums for attaining crop quality attributes requiring additional investment in labour rather than capital by smallholder households.

In terms of the discussion of whether generalisable links can be established between programme impact on the one hand and the level at which the intervention occurred, the institutions that acted as intermediaries and the intervention's national context, the following observations can be made.

On the first two of these issues, the programme impact demonstrates that traditional-style micro-level enterprise support can have significant positive effects. However, the magnitude of this support appears to be associated with the characteristics of the enterprises that are the programme's immediate beneficiaries. EPOPA seems to demonstrate that support to larger, more experienced enterprises with better financial and other resources is probably more (cost) effective than support to smaller ones lacking these characteristics. In answer to the question of why such enterprises should receive support when they are already well endowed, it can be replied that, according to Gibbon (2006), only one of those in this category who participated in the EPOPA programme would have undertaken organic certification (or related contract farming) in the absence of this support.

At the same time the programme underlines that, in this context, there were pro-poor impacts from enterprise support only because it was linked to the institution of contract farming. Or, more precisely, only because it was linked to a contract farming relation which incentivised smallholders to produce better quality produce by consistently offering a price premium for its delivery. In other words, it is not a link to a specific kind of institution per se that matters, but the fact that this institution has a particular design.

In terms of contexts, the importance of the relative freedom from arbitrary intervention enjoyed by private agriculture in Uganda (relative to Tanzania) is clear. One of the authors of this report interviewed a Tanzanian contract farming scheme operator who had received support from EPOPA and invested in a processing factory, only to be forced to withdraw from the sector after a public regulation was introduced requiring that smallholders sell exclusively to cooperative societies. However this is also a lesson as much about differences between crops as differences between countries. In Tanzania there are certain crops with no history of public intervention, and where the same type of regulation was very unlikely to be applied.

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The Kenya Horticultural Development Programme (KHDP)

The KHDP was a USAID-financed programme implemented by the American consultancy company Fintrac. The programme targeted production and productivity increases in smallholder horticulture, as well as increases in smallholder sales of horticultural products into export and domestic markets. The programme started in 2003. It coexisted with a number of parallel initiatives pursued by other donors to support Kenyan smallholder horticulture.[29] In some cases donor agencies other than USAID funnelled funding through KHDP to deliver services to their programmes. The original budget for the programme was just under US$5 million for a four-year period. The programme eventually lasted until 2009, by which time the budget had been modified eleven times. Total expenditure ended at US$10.2 million. The KHDP documents do not provide concise targets for the different phases in the form of growth in exports, numbers of beneficiaries etc.

Programme context

From the mid-1980s Kenya had experienced a high degree of success in increasing exports of fresh produce to especially European markets. Initially these exports were confined to estate-grown pineapple, but by the end of the 1980s they became diversified to include fresh vegetables – particularly green beans – and cut flowers. This trade was initiated and controlled by private exporters, mainly but not only Kenyan citizens, with very little public involvement. A relatively developed infrastructure, advantageous climatic conditions, frequent air departures to Europe from Nairobi (which had become a hub for aviation in the region) and a dynamic local business community made Kenya an attractive place for these kinds of investment (Jaffee 1992). Because smallholders produced fresh vegetables for the local market, horticulture furthermore seemed to represent an opportunity to integrate smallholder producers into global value chains.

[29] According to Humphrey (2008), in the decade to 2007 eighteen different projects and programmes attempted to support Kenyan export agriculture to adapt to new trade conditions, and to ensure inclusion of Kenyan smallholder producers in global horticultural trade. Among the more important donors were the Dutch, who established a vocational training centre for the fresh vegetable industry (subsequently they have added one for the cut flower industry); IFAD, who initiated a smallholder horticulture marketing project; the Japanese, who financed a horticulture smallholder enterprise project, to which KHDP provided technical support; and GTZ (now GIZ) who funded a 'Private Sector Development of Agriculture' project at national level, and also enjoyed technical support from KHDP. Finally, the EU supported farmers and exporters in meeting standards via the ACP-PIP programme, which KHDP is said to have worked in close collaboration with.

For a considerable period smallholders and smaller-scale indigenous African commercial farmers indeed played a significant role in Kenya's fresh vegetable exports. This was first on the basis of exporters sourcing from them on a spot market basis and later, during the 1990s, on a contract farming basis. Estimates concerning the share contributed by smallholders to total fresh vegetable exports during the 1990s vary between 40% and 70%, but all sources agree that this share declined sharply – to perhaps as low as 20% – by the end of the decade (Dolan and Humphrey 2000).

This change related to two inter-related developments. The first was the growing share of supermarkets in European fresh vegetable sales, particularly in the UK and the Netherlands. In this process, there was a corresponding shrinkage in the share of imports passing through traditional wholesale markets, where the quality and food safety standards were relatively relaxed. Supermarkets worked instead through specialised importers, to whom they relayed more stringent requirements in terms of product quality and food safety attributes. Moreover, they also applied formal requirements to suppliers in terms of standardisation of product, physical appearance, volume, continuity of supply, delivery schedules and capacity to provide post-harvest services including packaging. The most important of the private food safety standards that was increasingly widely applied by the end of the 1990s was the EUREPGAP (later GLOBALGAP) standard, requiring amongst other things the implementation of detailed and formalised control systems and record keeping at farm level.

The second and related change was that Kenya's leading exporters responded to supermarkets' increasing salience in the global horticultural value chain by integrating backwards into farm production. This they did for two reasons – to gain greater control over the characteristics of the product that they sold (in order to end up with fewer rejects) and secondly to reduce risks related to climate-related shortfalls in bought-in produce.

Some academics, NGOs and donors have all tended to concentrate on the EUREP/GLOBALGAP standard as the prime cause of the smallholder exclusion from export horticulture experienced in Kenya and elsewhere (e.g. Cote d'Ivoire, Senegal) between 1995 and 2000. Moreover, the main obstacle facing smallholders in complying with EUREP/GLOBALGAP tended to be seen as meeting the high costs of certification. This provided a rationale for programmes like KHDP to focus to a large extent on securing smallholder certification to EUREP/GLOBALGAP, although this might be accompanied by initiatives focused on the domestic market (as with KHDP) or with ones aimed at assisting

smallholders to meet supermarket demands in areas other than food safety (as with some other programmes).

Programme description

The programme's objective was "to increase and sustain smallholder sales and incomes from the production and marketing of high-value and added-value horticulture crops and products, and to increase employment within the wider horticulture industry" (USAID 2009).

The program focused on five 'strategic' areas:

1. SPS compliance including GlobalGAP, USDA/APHIS entry approvals, EU food and feed regulations and produce traceability
2. Domestic market growth
3. Product development
4. Promotion of Kenya/US-trade in horticultural products
5. (Fruit) tree crop production, particularly in the coastal areas

These areas were not all export-oriented, but it was considered that they might have elements impacting on capacity to export, even when targeting local markets.

KHDP's design was based on a 'Business Service Development' approach. This entailed using a 'Partners Grant Fund' to co-finance beneficiary access to physical inputs, services and TA from a range of providers. Programme documentation refers to 86 different organisations in all serving as providers. These included public sector bodies, national trade organisations, marketing companies, processing companies, input suppliers, consultancy firms, financial service providers, local NGOs and international agencies. Project documentation claims that the 'success and sustainability' of Fintrac's approach was due to the 'strong working relationships' between KHDP and these providers.

Furthermore, a number of farmer groups were supported. These were partly seen as providing a basis for EUREP/GLOBALGAP 'Option 2' certification, which is designed for certification of groups of smallholders rather than for individual production units. However it was also thought that they would provide other advantages for members including economies of scale and mutual learning opportunities. It is claimed in the programme's Final Report that as many as 1,190 farmers groups received some type of institutional assistance from KHDP and their partners.

In supporting businesses, KHPD also directly provided market analysis, technical advice on target crops and some field support to smallholder producers.

Although KHDP had a primary focus on support to and via the private sector, it acknowledged that it was necessary to complement this with policy support to the sector in general. This included supporting the establishment of a national taskforce on horticulture, and assisting the Ministry of Agriculture Statistical Service in establishing improved mechanisms for data gathering and processing.

Assessment of the impact of the KHDP programme

KHDP staff produced a number of more or less thorough reports on the results of the programme. These are characterised by the unfortunately not unusual tendency to ascribe a broad array of positive developments to the programme, while attributing all setbacks to external events. Furthermore, the validity of KHDP self-assessments is qualified by the fact that only very limited baseline documentation was undertaken. On the other hand, the programme was the subject of two impact assessments and a relatively thorough audit. Both of the impact assessments made some use of comparisons with control groups.

KHDP's own final report claims the programme had the following achievements:

- Creation of an average sustainable additional income of US$340 p.a. for 58,000 direct beneficiaries (US$19 million in total).
- Successful smallholder compliance with global standards, ensuring that horticulture would remain a major source of foreign exchange and contribute significantly to poverty alleviation through employment and income generation.
- Increases in yields for local market vegetables of more than 100 per cent, for KHDP's direct beneficiaries.
- An increase in passion fruit production of 133 per cent since 2004 [30]
- Leveraging of new investments, in all worth more than US$10 million, in standards compliance, fruit processing, and in drip irrigation and other technologies "essential for a competitive industry"
- Promotion of horticulture as a strategic food security industry through both food and income generation.

[30] It is unfortunately not indicated whether this is at a national level or locally, where KHDP intervention has taken place.

In terms of its quantitative targets, KHDP claimed to have contributed considerably to production and productivity increases in Kenyan agriculture. For example, in Nyanza province where KHDP states it was very active, annual production increases over the programme period averaged 21%, 15%, 15%, 26% and 33% for tomato, onion, passion fruit, watermelon and butternut squash respectively. The KHDP did not set concrete export targets.

KHDP attributed the 'success and sustainability' of its approach to "the strong working relationships developed with private sector companies to deliver services and make investments in target areas, and with government agencies to deliver support services at a national level".

At the time of the first of the impact assessments referred to, KHDP had only been operational for a little over a year. This assessment (Snodgrass and Sebstad 2005) examined both KHDP and another USAID programme in Kenya: the Business Development Programme. In respect of KHDP it confined itself to the programme's fifth strategic area, promotion of fruit production for export in the coastal zones of Kenya. This activity had centred on mangoes, avocadoes and passion fruit.

Snodgrass and Sebstad (op. cit.) stated that production volumes and productivity were greater for programme participants than for controls. However they acknowledge that differences found might reflect beneficiary selection bias – i.e. that it may have been the already resourceful who managed to get the largest slice of the programme cake – and/or once-and-for-all early impacts of programme participation. In relation to the first possibility they noted that Fintrac mainly worked with larger-scale farmers. As regards the extent of the activity's pro-poor impact they therefore concluded that, insofar as this was present at all, it could only arise from the 'fairly extensive' use of hired labour by the larger-scale farmers. Smallholders (a category they do not explicitly define) are said to participate in the tree fruit value chain, but only in a 'low position' – evidenced for example by the fact that they sell their produce mainly on local markets.

The remaining impact assessment and the audit referred to, date from when the programme was in its final stages or had been completed. Both these works also cover two other USAID programmes in Kenya: the Kenya Dairy Development Programme and the Kenya Maize Development Programme. Unfortunately, they report their results for all three programmes only in an aggregate form, meaning that

it is impossible to distinguish those specific to KHDP (or therefore, to its activities in the fresh vegetables area).

In relation to the three programmes, the impact assessment of Oehmke et al. (2010) undertakes assessments of household productivity, household income and incidence of poverty for three categories of households: a direct treatment group (beneficiaries), an indirect treatment group (indirect beneficiaries) and a control group. Over a four year period during the programmes' existence, household incomes rose by US$322 and US$289 p.a. respectively for the first two categories, whereas it fell by US$60 p.a. for the control group. Incomes showed a more favourable development in all cases during the first two years studied, relative to the indirect treatment group where increases either slowed down or turned negative. The study does not seek to explain this pattern.

Concerning the incidence of poverty, it seems that from the outset poverty levels were higher in the control group (77.6%) and lowest in the direct treatment group (61.9%). Over the four year period there was no significant change in the control group's rate, but amongst the direct treatment group it fell to 56.3% and amongst the indirect treatment group it fell from 74.2% to 63.6%. The authors hesitate to draw conclusions concerning the impact of the programme from the data reported, referring to the likelihood of effects from omitted variables.

The audit referred to (US Government, Office of the Inspector General, 2010) concludes that the self-reporting by the programmes examined suffered from "a number of errors, unsupported figures and internal inconsistencies in the performance indicators used". No direct examples are attributed individually to KHDP or to the other two programmes though.

Concluding remarks

Summing up, it seems likely that KHDP had some positive outcomes at beneficiary household level in terms of production volumes, productivity, income and incidence of poverty. However we know little or nothing of whether these benefits applied to a greater or lesser extent to producers of fresh vegetables, or which particular programme activities might have generated the benefits (and how). At the same time, it appears that some of benefits accruing to beneficiaries related to the fact that they were on average better-off than other farmers prior to becoming beneficiaries. Thus there is no direct evidence that the programme contributed more than marginally to 'pro-poor' export growth.

In terms of the questions about pro-poor export interventions posed by Humphrey and Navas-Aleman (op. cit.), KHDP's pro-poor objectives were formulated entirely in terms of assisting 'smallholders' to enter global value chains, both through formation of farmers' groups, certification to EUREP/GLOBALGAP and also more generally through increasing production and productivity. No mechanism is actually specified whereby farmers' groups become linked to export markets. The focus is rather on a series of technical fixes centring on farmer organisation, technical training to farmers and financing EUREP/GLOBALGAP certification.

Unlike in the case of TIPCEE, KHDP also envisaged heightened smallholder participation in local markets as a route out of poverty. As in the case of export market participation, no specific mechanisms of incorporation are proposed other than the catalogue of technical changes already mentioned. On the other hand, it may well be that participation in national and regional markets does not require a special mechanism such as contract farming.

As Snodgrass and Sebstad (op. cit.) point out, where there actually were KHDP 'pro-poor' impacts, these may have come not through enhanced market participation by smallholders (since this was not achieved) but via increases in employment generated by improvements in the competitiveness of larger-scale farmers. However, this was neither the subject of a specific objective or activity, nor even highlighted as an impact.

In terms of the questions posed in this study in respect of levels of interventions, institutional intermediaries and sectoral and national/regional focus, the following observations may be made. KHDP interventions straddled micro and meso-levels, although because of the farmer group focus they were in theory targeted mainly on the meso-level. The institutional intermediaries chosen were primarily farmer groups and business service providers. Management of the very large number of the latter was facilitated on a quasi-market basis through the mechanism of a 'partner fund'. In terms of choice of types of intermediary, insofar as KHDP failed to genuinely engage smallholders this may have been a product of the strategy of working through farmer groups. It tends to be larger farmers who have the time and resources to meaningfully engage with such groups and who, therefore, come to dominate them. On the other hand, even if smallholders had been more successfully engaged with, it seems unlikely that they could have been successfully linked to global markets given the types of measures identified by KHDP for doing so, as well as the structural changes in global fresh produce value chains experienced since the mid-1990s and described earlier.

This raises the issue of sectors of choice. For the reasons rehearsed it seems more realistic to promote the direction of smallholder fresh vegetable production to local and regional rather than global markets. KHDP did this alongside promotion of smallholder participation in global value chains but in the absence of a clear justification.

In terms of national and regional environments, the KHDP experience again shows that a favourable 'enabling environment' in terms of infrastructure, presence of input and service providers, relative freedom from intrusive public intervention is in no sense a sufficient condition for successful programme impact – although they may improve programme efficiency. In regard to export sectors these, rather, mainly depend on the correct identification of external constraints and elaboration of suitable strategies for overcoming them.

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The Trade and Investment Programme for a Competitive Export Economy (TIPCEE)

The TIPCEE programme in Ghana is a USAID-funded programme implemented by the American consultancy company Chemonics. The programme sought to achieve growth in agricultural exports by increasing the competitiveness of Ghana's private sector in world markets. Particular attention was given to the involvement of smallholders in the export sector, particularly in the pineapple and mango sub-sectors.[31] The programme was initiated in 2004, but built on a USAID programme dating from 1993. It coexisted alongside a number of other initiatives run by other donors, and after closure in 2009, it was followed by other programmes pursuing variants of the same agenda. Available TIPCEE documents do not disclose the programme's budget. Programme success was mainly defined in terms of targets for numbers of farmers reached (initially 100,000, but in the fourth year work plan, the number was reduced to 32,000) and increases in exports (a tripling of pineapple export volumes by 2010). The initial targets were not met.

Programme context

Ghana, with its fairly developed infrastructure, relatively well-functioning institutional set-up and long history of agricultural exports (including smallholder cocoa), has for some years been seen as a potentially well positioned location for fresh fruit and horticultural exports to Europe, not least because of its vicinity to European markets. This assumption was apparently confirmed by a promising development in the country's pineapple exports from the early 1990s onward. It therefore seemed natural to seek to support private sector development in exploiting these opportunities in Ghana. The TIPCEE programme, and other initiatives to promote non-traditional agricultural exports, was however somewhat unfortunate in terms of timing, as its implementation coincided with certain changes in the external environment impacting negatively on its prospects.

The first of these was an escalation in the private standards governing a large part of imports of fresh produce into the UK. The most important of these standards, EUREPGAP, dates from 1997. It was subject to tightening several times over the next decade, culminating in its recodification as the GLOBALGAP standard in 2007.

[31] Other export crops initially targeted included papaya, asian vegetables and cashews.

While later versions of EUREPGAP and GLOBALGAP embodied a provision for group certification of smallholders, it has been widely argued that this has done little to mitigate the obstacles to market entry faced by this group (cf. Graffham 2006, Humphrey 2008).

A second challenge related to the increasing market demand for a new variety of pineapple, the smaller and sweeter MD2. According to Kleeman (2011), relative to the commonest existing Ghanaian variety (Sweet Cayenne), MD2 had higher initial investment costs as well as higher variable input costs – due to greater sensitivity to plant health problems. Thus adoption and cultivation proved costly and difficult for smallholders. This appears to have led to two inter-related developments – a decline in the overall volume of pineapple exports to the EU from 2005 onward (see Table 4), and a declining smallholder share in Ghana's pineapple trade. Whereas smallholders are variously estimated to have contributed 50–60% of pineapple exports in 2004 (Kleeman op. cit., http://www.gepcghana.com/news.php?news=196), exports subsequently have been dominated by a handful of large-scale farmers.

Table 4. Ghana's pineapple exports to the EU, 2000–2010.

Period	Trade Flow	Reporter	Partner	Commodity Description	Trade Value (USD)	Trade Quantity (kgs)
2000	Import	EU-27	Ghana	Pineapples, fresh/dried	21560742	29433800
2001	Import	EU-27	Ghana	Pineapples, fresh/dried	27176810	32815240
2002	Import	EU-27	Ghana	Pineapples, fresh/dried	39725572	36159700
2003	Import	EU-27	Ghana	Pineapples, fresh/dried	59487975	44108100
2004	Import	EU-27	Ghana	Pineapples, fresh/dried	69920310	51726000
2005	Import	EU-27	Ghana	Pineapples, fresh/dried	56672365	45065700
2006	Import	EU-27	Ghana	Pineapples, fresh/dried	51463216	40236700
2007	Import	EU-27	Ghana	Pineapples, fresh/dried	51533474	35463300
2008	Import	EU-27	Ghana	Pineapples, fresh/dried	49476893	35583300
2009	Import	EU-27	Ghana	Pineapples, fresh/dried	35929820	28717700
2010	Import	EU-27	Ghana	Pineapples, fresh/dried	41062389	34403800

Source: Comext database

Thirdly, the introduction of export-oriented mango production coincided with the onset of very irregular rainfall patterns, causing the failure of the first crucial harvests. Finally, the country witnessed a dramatic growth in the extraction sectors, oil as well as mining and quarrying. This has impacted on the attractiveness of agriculture as a sector to invest in, as investors as well as potential labour have probably found it more promising to seek fortunes outside agriculture.

Changing international conditions, particularly for pineapple exports, made it necessary for the TIPCEE programme to make continual readjustments to its course in order to meet its targets. In the event, a decision appears to have been taken to sacrifice the programme's export target in favour of that concerning numbers of farmers targeted. In order to keep to the objective of reaching 100,000 farmers, a number of new crops (onions and rice) were now focused on as 'strong growth opportunities' for Ghana. It is, however, the export element that interests us here.

Programme description

The TIPCEE programme targeted smallholder farmers who were already integrated in commercial marketing chains. This was to be achieved through (i) improving the enabling environment (via addressing and providing solutions to "key policy and regulatory constraints" by "working with policymakers and implementers, and private sector stakeholders to improve the legal and regulatory environment for private sector operation and investment"; (ii) "strengthening the capacity of the private sector to respond to market demands" through "more integrated industry/cluster activities…strengthening selected commodity supply chains from farm to market (and supermarket)" and "improved performance of enterprises and smallholders"; and (iii) "expanding market access".

In practice, most TIPCEE activities fell under the second and third of these headings. In respect of these, the TIPCEE strategy emphasised interventions at four levels – smallholder, export firm, sector or 'industry' and international markets. At the smallholder level, the approach was "to integrate smallholder farmers into export-oriented value chains, with the ability to consistently meet market demands in quality, volume, efficient logistics and price". A focus on market information and disseminating knowledge of criteria for export was supported with "training in good agricultural practices, testing of new varieties, EurepGAP Option 2 certification and strengthening linkages to exporters" (Chemonics 2006).

Meanwhile, at the firm level the programme partnered with individual export and processing firms to provide technical assistance designed to improve their skills in managing smallholder outgrower schemes, as well as in financial management, quality control, packaging and marketing. At the industry level, TIPCEE concentrated on adoption of industry norms for export crops. And finally, at the market linkage level, the project collaborated with industry stakeholders, including National Horticulture Task Force (NHTF), Federation of Associations of Ghanaian Exporters (FAGE), and other donors in improving trade facilitation and organising export promotion activities.

In other words, the TIPCEE programme embodied the idea that it would be possible to engineer the development of a whole industry and thus transform the horticulture sector into a diversified and competitive part of the economy. The perhaps unrealistic scope of this ambition is underlined by the list published by the programme's implementer of the full range of activities it was envisaged as eventually facilitating. These were represented in the form of an idealised product flow chart, reproduced in Table 5.

Table 5. Supply Chain for Fresh Produce and Associated Tasks (and Potential Pitfalls)

Production	Post-harvest	Shipping	Distribution
Seed supply	Transport	Receiving	Shore handling
Agronomy	Hygiene/Pest control	Pre-shipment storage	Consolidation
Input supply	Packaging material	Handling	Q/C Check
Field maintenance	Sorting/grading	Customs /Forwarding	Pre-packaging
Irrigation regimes	Pre-cooling	Phytosanitary checks	Pricing
Traceability	Packing	Cooling	Retail barcoding
IPM	Quality control	Logistics/Tracking	Private branding
Harvesting	Labelling	Stevedoring	
Certifications	Palletisation	Cold chain management	

(*Source:* Chemonics 2006)

Especially in the light of the fact that this list refers to only two of the programme's three objectives, a number of points are clear. The first is that the programme entailed potentially enormous resource demands, in terms of identifying and delivering appropriate technical skills, negotiating with multiple partners or intermediaries, and internal management and coordination. The second is that, relative to the level of the ambition evidenced, there was a lack of clear prioritisation. Thirdly, in respect of the list in Table 5, activities were planned in a number of areas in the absence of suitable partners or intermediaries. Input supply suggests a new involvement of agribusiness ventures, phytosanitary checks suggests that government agencies should have been involved, stevedoring and shore handling suggests a need to involve port operators, and so on. This would of course have multiplied the already long list of programme partners.

Whereas programme descriptions are short on priorities, they refer a lot to use of technical innovations and new technologies. These range from new farmer training methods to the use of Geographical Information Systems (GISs) to, amongst other things, develop 'farmer supply databases'. The suggestion is that the impact of these technologies makes the programme's level of ambition more realistic.

Assessment of impact of the TIPCEE programme

No formal evaluation or impact assessment of the TIPCEE programme is available. Many of the claimed results were announced through TIPCEE press releases reported on various African news websites, with minimal documentation or background information and also without a clear indication of what part of the result had been contributed by TIPCEE as opposed to other initiatives.

A programme 'audit' was performed in 2007 (Office of the Inspector General 2007), but this did not follow DAC guidelines in assessing the programme. Ignoring questions of relevance, effectiveness, efficiency and sustainability this examined only TIPCEE's impact, and then only from the viewpoint of assuring its technical conformity to them. It stated that since USAID required that quantitative targets should be met to a level of at least 80% if programme funding was to be renewed, TIPCEE's targets should be revised downward. No indication is provided about what information should be considered in relation to setting the revised targets. Apart from these sources, information on the programme's impact is restricted to TIPCEE's and Chemonics' annual reports.

Programme press releases and annual reports typically report information succeeded in reaching a given number of farmers or households with specific interventions, but it is not specified with what impacts.[32] Little or no information is available in terms of changes in beneficiaries' income or on other aggregate economic impacts. Thus, the main information available for determining TIPCEE's success is the pineapple export data already reported.[33]

In terms of the questions about pro-poor export interventions posed by Humphrey and Navas-Aleman (op. cit.), the programme's pro-poor objectives were formulated entirely in terms of incorporating smallholders into the global value chains for certain non-traditional agricultural export products. There is no specific argument in favour of this method of poverty reduction, except an implicit one that 'everyone agrees that Ghana's pineapple exports will grow'.[34] Adoption of new varieties and conformity with EU food safety and environmental standards, insofar as they are considered explicitly at all, are presented simply as technical barriers that can be overcome by information provision and by new (training) technologies. In terms of mechanisms for transmitting pro-poor impacts from exporting firms to smallholders, outgrower schemes or contract farming are identified. There is little or no evidence that the specific challenges of initiating and sustaining such schemes in the fresh produce area were considered, however. Nor obviously were the alternatives of promoting pro-poor growth in the pineapple sector via (for example) support to better labour conditions on larger-scale farms or, until smallholder pineapple exports collapsed, of supporting smallholders to sell other crops into national or regional markets.

[32] See for example http://allafrica.com/stories/200910230998.html where it is stated "By a collaborated effort, TIPCEE has trained over 5,000 cashew farmers in Good Agricultural Practices (GAPs), 3,000 more in practical norms and standards, while 31 demonstration sites have been established with drip irrigation systems, all in an effort to improve and increase yields. Some 52,000 farmers in all have gained expertise in Good Agricultural Practices. Mango is another booming commodity in the northern sector, and by the TIPCEE's intervention, Ghana's mango exports rose from 179 metric tonnes in 2004 to 1,098 metric tonnes in 2008. TIPCEE has also improved fruit quality to meet international standards and demand by training almost 300 Mango farmers in Good Agricultural Practices (GAPs). These, among other interventions by TIPCEE, have resulted in annual turnovers amounting to thousands of Ghana Cedis in the pockets of both farmers and processors in the country's Agribusiness sector."

[33] It may be noted that although mango was a secondary focus of the programme and baseline exports in this area were almost non-existent, TIPCEE does seem to have recorded better results for this crop.

[34] At the time of the programme's inception, this belief was indeed very widespread. See for example Danielou and Ravry (2005), where it is stated: "Today, prospects look remarkably bright for the Ghana pineapple industry. If SPEG (Sea Freight Pineapple exporters of Ghana) estimates the 2005 export figures to remain close to the 2004 mark (about 65,000 tons for both air and sea freight), it forecasts a rise to about 73,000 tons in 2006 and 90,000 tons in 2007, due mainly to the coming into production of Golden Exotics' sizable pineapple acreage expansion, all of which is planted with the MD2 variety".

In terms of the questions posed in this study in terms of choices of levels of intervention, institutional intermediaries, and sectoral and national/regional focus, the following observations may be made. TIPCEE's lack of impact in terms of its targeted number of beneficiaries probably related less to its ambition of covering both meso and micro levels and more from firstly, its spreading of resources between a *very large number and variety* of interventions at both levels and secondly, the assumption that smallholder engagement in pineapple export production was primarily a technical issue. This assumption also seems to have been the main reason why the export value target was not met.

In terms of institutions engaged, similar conclusions appear warranted. The programme seems to have chosen to engage with an almost endless list of institutions, in the name of providing greater articulation to the value chain but without any clear prioritisation.

In terms of sectors, the TIPCEE experience highlights the risks of the fresh produce sector, although not necessarily those of agricultural export sectors generally. Smallholder-based Ghanaian pineapple exports were apparently eclipsed in a conjuncture comprising a rapid escalation in standards, and rapid change in market demand for crop variety (MD2 had been introduced globally only a decade before) – leading to a new producer cost scenario. In agricultural sectors outside of fresh produce, such changes typically occur over longer periods, allowing more gradual adjustments and lead to lower levels of smallholder exclusion. Fresh produce production is inherently more demanding and risky for smallholders than, for example, cocoa production.

In terms of national and regional environments the TIPCEE experience indicates that favourable 'enabling environments' and relatively favourable geographical locations do not serve to reduce the impact on the potential beneficiaries of interventions of external events, which programme designers and implementers should arguably have been better aware of.

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Conclusion

Study methods

This study assessed different development assistance models for providing support to export sectors as a way to promote pro-poor growth. Its objective was to review recent programmes and projects which have attempted to support export sectors with a pro-poor perspective, in order to identify what has worked, where and why. 'Export sectors' was interpreted as covering sectors supplying either regional or international markets or both, although in practice most of this type of support is targeted at activities in international export markets.

The study is based on reviewing a number of cases that exemplify the different models, methods and sets of external conditions, and which at the same time are sufficiently well documented for meaningful conclusions to be drawn about them. It deliberately excluded from coverage programmes and projects that were aimed at supporting the private sector generally, as opposed to export-oriented activities within the private sector. It did however cover programmes or projects aimed at supporting activities that spanned both domestic and export markets.

For purposes of initial classification, the study distinguished between programmes and projects according to whether they addressed support to export sectors at different levels: the international, the macro, the meso and the micro-levels. However, in reality it proved that many of the programmes considered in fact straddled these distinctions.

The different programmes and projects reviewed are listed in Appendix Table 1, where information is provided in a summary form of basic programme characteristics (level of intervention, stated poverty reduction mechanism, institutional channel or intermediary, focus sub-sector, location and business environment context), as well as of the relevant market entry barriers that the programme or project sought to mitigate on behalf of beneficiaries, programme or project impacts and – where the programme or project was associated with pro-poor export growth – what the actual mechanism was through which this occurred.

The programmes reviewed were

At the macro-level:
- The Africa Growth and Opportunity Act (AGOA), a US trade preference scheme primarily addressed to LDCs
- The Everything But Arms (EBA), an EU trade preference scheme exclusively for LDCs
- The North American Agreement on Labour Cooperation (NAALC), a side agreement on labour rights linked to US and Canadian bilateral trade preferences for Mexico

Combining the macro and meso-levels:
- The Kimberley Process, an inter-governmental scheme with business and NGO participation, aimed at severing the link between the diamond trade and armed conflict in fragile states
- A number of interventions in Liberia aimed at export sector rehabilitation in a fragile state context

At the meso-level:
- The Better Factories Cambodia Programme, a labour rights programme linked to a US trade preference scheme for Cambodia
- The KATALYST programme in Bangladesh, a multi-donor programme aimed at improving the competitiveness of the aquaculture sector

Combining the meso and micro-levels:
- The EPOPA programme in Tanzania and Uganda, a Swedish programme supporting contract farming for certified organic exports
- The Kenya Horticultural Development Programme (KHDP), a US programme aimed at improving the competitiveness of the smallholder fresh produce sector (primary focus, horticulture)
- The Trade and Investment Programme for a Competitive Export Economy (TIP-CEE) in Ghana, another US programme aimed at improving the competitiveness of the smallholder fresh produce sector (primary focus, pineapple).

Main findings

It is not easy to draw common lessons across all these ten different interventions because of wide differences in their objectives and resulting non-commensurability in their intended impacts. Thus, for example, it is not possible to state that certain levels of intervention have greater impacts than others. On the other hand, when

those interventions that share a focus on a given level are compared, the following conclusions emerge (with the programmes that they are based on noted **in bold** in brackets).

- *At the macro-level*, LDCs in certain regions (Asia) respond in a more sustained way to pro-poor trade preferences than LDCs in others (Africa). This seems to relate to the more developed nature of regional economic networks in the Asian region (**Better Factories Cambodia, AGOA, EBA**)
- Programmes and projects aimed at poverty reduction through improving labour conditions in conjunction with trade preferences appear to work better where there is provision for capacity building for employers, and where a clear link is visible to employers between making improvements in labour conditions and gaining improvements in market access (**NAALC, Better Factories Cambodia)**
- At the *macro and meso-levels*, rehabilitation of export sectors in fragile states can generate impressive results when associated with restoration of a degree of political stability. Where export production and trade are entangled with armed conflict, enrolment of multinational corporations in internationally-recognised efforts to secure its differentiation can result in major short-term gains for the poor (**Kimberley Process, lessons from Liberian programmes**)
- Concerning programmes and projects aimed at securing improved competitiveness in international markets through interventions at the *meso and micro-levels*, a clear lesson is that involvement of actors 'downstream' in the value chain concerned (i.e. exporters and, where possible, importers) is a precondition of success. This can, for example, be through contract farming. By contrast, programmes whose main focus was on the 'upstream' links in the chain – small-scale producers and farmer associations – were less effective (**TIPCEE, KHDP, EPOPA**)
- Where small-scale producers are amongst the direct beneficiaries of these programmes, criteria for their sub-sectoral and end-market focus should include the nature of the entry barriers presented by the main standards that apply in the sub-sector and end-market and the costs that these entail (**TIPCEE, KHDP, EPOPA**)
- These costs should be considered moreover not merely in relation to certification, but also in terms of resource costs in the long run. These include costs of changes in production infrastructure, new types of inputs and of monitoring and record keeping. In general, interventions of this kind work better in sub-sectors in which smaller producers already have some involvement in production for international markets (**TIPCEE, KHDP, EPOPA**)
- Where novel sub-sectors are chosen for development, or sub-sectors are chosen

for development where small-scale producer involvement in international exports is very limited, it is better for the initial end-market focus to be national and regional rather than international (**KATALYST**)
- Likewise, where interventions aim at increasing competitiveness in international rather than regional markets, the main gains are likely to be where those exporters (and/or importers) used as intermediaries have extensive experience in these markets. As opposed to smaller exporters, larger exporters are likely to have better networks, better knowledge of the markets in question, and better resources to supply them in competitive ways. Often this may involve a choice to work through multinational trading houses rather than local indigenous exporters – even though the latter is politically attractive (**EPOPA**)

These conclusions sum up experiences drawing on rather complex realities, and therefore require a degree of qualification. The main qualifications relevant to them will also be considered here first in relation to a distinction between interventions according to their 'level', and then in relation to some broader methodological considerations.

Qualifications in relation to macro and meso-level findings

LDC-oriented trade preference programmes have had some impact, but this is generally limited by problems of supply capacity and is also threatened by preference erosion. This may occur either through multilateral trade liberalisation, as the case of AGOA illustrates, or through large importing countries extending preferences to new groups of poor countries. Indeed, many African clothing exporters attribute the diminishing returns from AGOA not only to the phase-out of the Multifibre Arrangement but also to the US decision to expand the clothing preferences awarded to Cambodia, for example.

In terms of the labour rights/conditions-oriented interventions considered, it may be that ILO's involvement in implementing the Better Factories Cambodia Programme had a decisive importance. ILO's experience in the area, its credibility and its ability to draw on expertise from other regions are all probably unique. Moreover, because of the resource requirements of this type of programme it may not be possible to scale up such involvement.

Remaining in this area, while the voluntary interventions conducted through ILO appear to have had considerable success, those intervention elements in this area that

sought to introduce judiciable solutions had relatively little success. Problems here related both to low uptake of judiciable procedures and their enforcement where there was uptake.

The relative success of the Kimberley Process was due to the active involvement and interest of the leading multinational companies responsible for production and global trade in diamonds. Given the rather limited number of effective tools that donors have when it comes to intervention in so-called 'fragile states', more attention should be paid to the possibilities of partnering with multinationals, both in relation to regulation of illicit exploitation of other kinds of extractive resources and more broadly. On the other hand this raises the issue of whether it is appropriate to target development assistance on such actors, or whether another type of relation between them and development partners should be the aim.

Qualifications in relation to meso and micro-level findings

While much attention has been directed at ensuring the inclusion of smallholders in international export agricultural value chains, and some successes in this area have been recorded, no examples were found of successful integration of smallholders into global value chains for high value non-traditional products. The mechanisms that worked in successful cases of smallholder integration seem to involve provision of incentives to invest greater quantities of labour. But investing additional labour alone is not enough in order to be able to produce high value exports.

Where it has succeeded in the medium-term or beyond, inclusion of smallholders has resulted in significant incremental increases in average beneficiary income. Typically however, the magnitudes of these increases are large relatively rather than absolutely. They do not in general seem to be sufficiently large in themselves to lift beneficiary households out of poverty.

As in the case of macro/meso interventions in fragile states, it seems that interventions using international or multinational companies as intermediaries work better than others. But this is controversial for several reasons. Firstly, there is usually political pressure on donors to direct support to locally-owned export enterprises – pressure that is hard to resist given arguments about ownership, as well as the difficulty of showing that large international companies need any additional support. Furthermore, it may be hard to argue vis-à-vis taxpayers in favour of supporting them, since they are already increasingly concerned about the effectiveness of development aid.

Alternatively, would large firms be willing to accept pro-poor conditionalities from development partners if the latter were not providing them with financial support? All these are difficult questions.

A further issue concerns agricultural labour. It has been argued that the actual mechanism that works in successful cases of smallholder integration in export value chains involves provision of incentives to invest greater quantities of labour – for example, marketing guarantees and premium prices. But, as a number of academic studies show, smallholders mainly obtain this labour by employing non-family members. Indeed, this may have a larger poverty-reducing impact than the net incremental increases in income obtained by smallholders themselves.

If this is indeed the case (the current evidence is unclear) then perhaps it would be more logical to support production by labour-intensive large farms through such interventions, as well as or even rather than through smallholders, however labour-intensive they may be. This is because larger farms are likely to offer better employment conditions than smaller ones. The trade-offs between these two forms of production need to be seriously considered.

Finally, the importance of giving further attention to smallholder inclusion in domestic and regional agricultural value chains should be underlined. High levels of urbanisation, the increasing importance of supermarkets, and regional trade liberalisation are providing increased opportunities in these markets, which smallholders would find it easier to take advantage of than those they encounter in the markets to which they are currently often directed.

Qualifications regarding evaluation methods

While good documentation was one of the criteria used in selecting the programmes and projects considered in this study for examination, even in these cases programme reports are merely self-congratulatory brochures that ascribe any positive development within the area to the given programme, while at the same time ascribing any failures to externalities and unforeseen events beyond the influence of the programme. Moreover, where results are reported there is a tendency to focus disproportionately on numbers of beneficiaries reached, without giving a clear indication of the extent to which their lives changed as a result of their participation. Furthermore, a category of 'indirect beneficiary' and corresponding head counts are reported in some programme documents without any clear indication of how the latter have been arrived at.

There is an increasing recognition that use of control groups is necessary in impact assessment but, even where these are used, surveys tend to collect data on few variables and test for too few relationships to uncover the mechanisms though which poverty is being reduced (or not). While trade preference programme impacts tend to be measured in much more sophisticated ways, the methods used in this case are not mainly designed to draw conclusions about poverty. Only in those cases where independent academic researchers have, for one reason or another, been involved in studying the effects of programmes has it been possible to analyse the potential of export sector support more thoroughly.

Because larger and more sophisticated surveys and analyses would cost more than existing evaluation methods, and because the latter need to be retained because they have important non-research benefits (for example consolidating local ownership or understanding the practical problems facing implementers), it would not be possible for research methods to be brought to bear on every intervention in this area. Moreover, the use of such methods would only mitigate rather than resolve conclusively the classical problem of attribution. However in terms of, for example, uncovering actual mechanisms that make programmes work, it seems likely to be a good investment if undertaken selectively for a number of different types of such intervention. Development partners working in the area might meet and agree a sample of programmes across the different types and models described here that could be studied, as well as some priority questions.

Appendix 1: Conclusion table

Programme	*Level*	*Poverty reduction mechanism, as specified in programme*	*Institutional channel*	*Value chain / Production Sector*	*Country / Region*	*Entry barriers*	*Political / business / market environment*	*Impacts*	*Actual poverty reduction mechanism (where applicable)*
US government's Africa Growth and Opportunity Act (AGOA) (2000—present)	Mainly macro	Increased trade leads to increased employment and increased public resources to spend on pro-poor interventions	Non-reciprocal trade preferences for developing countries. Additional preferences for LDCs	Multiple, but for LDCs only for clothing	Sub-Saharan Africa	Qualifying countries had to fulfil various 'good governance' conditions and have a customs system preventing transhipment	Programme rationale in LDC case based on high trade preference margin for clothing into the US market, especially prior to 2005. Most African countries faced adverse business conditions: non-availability of textiles, poor infrastructure, etc.	SSA clothing exports and US market share doubled, while employment substantially increased in clothing – until 2005. These impacts had largely evaporated by 2010.	As far as can be determined, mainly employment growth, declining from 2005.
EU Everything But Arms scheme (2001– present)	Mainly macro	As for AGOA	Non-reciprocal trade preferences for LDCs; augmented by change in LDC rules of origin 2008	Multiple, but de facto mainly for a few agricultural products	Global	Open to all LDCs without conditions	Impact limited by low average margin of preference offered by EBA and lack of supply capacity	LDC exports to EU increased by ca. 12.9% or US$2 billion p.a. to 2006. But LDC share of EU imports remained only 1.3%	As far as can be determined, mainly employment growth

Programme	*Level*	*Poverty reduction mechanism, as specified in programme*	*Institutional channel*	*Value chain / Production Sector*	*Country / Region*	*Entry barriers*	*Political / business / market environment*	*Impacts*	*Actual poverty reduction mechanism (where applicable)*
North American Agreement on Labour Cooperation	Macro / meso	Improved labour conditions (e.g. better regulated wage conditions, greater employment stability) for Mexican workers in Mexico and the US.	A side agreement to NAFTA, under which non-compliance with three core labour rights could lead to withdrawal of trade benefits. Implementation to be via Labour Departments of signatorycountries	All sectors (including non-export ones)	North America but designed primarily for addressing conditions in Mexico	Not applicable	Imbalances in Mexican labour market governance provided justification for initiative but no recognition in agreement of the resource problems underlying this or how to deal with them	Some indirect benefits to workers from greater transparency of poor conditions but few direct benefits	Not applicable
Kimberley Process (2002–present)	Meso	Relieving conditions in areas of conflict, particularly for women and children, by ending armed conflicts financed by illicit trade in diamonds. Increased capturing of diamonds in official trade, providing increased public resources to spend on pro-poor interventions	Inter-governmental agreement to certify provenance of diamonds, with corporate and NGO participation	Diamonds	Global	Not applicable	Process initiated in context of threat to reputation of diamonds represented by association with armed conflicts in west Africa, as well as re-establishment of government control in some affected countries.	Near elimination of financing of insurgencies through illicit trade in diamonds	As stated in programme

Programme	*Level*	*Poverty reduction mechanism, as specified in programme*	*Institutional channel*	*Value chain / Production Sector*	*Country / Region*	*Entry barriers*	*Political / business / market environment*	*Impacts*	*Actual poverty reduction mechanism (where applicable)*
EPOPA Tanzania/ Uganda. Total budget SEK108.4. Financed by SIDA. Implemented by Grolink	Predom-inantly micro	Inclusion of small-holder farmers in organic export produce value chains through contract farming.	Enterprise support to (i) MNC trading companies & (ii) Local export businesses con¬ducting contract farming.	Organic agricultural produce, both traditional export crops and NTAEs.	Tanzania. Uganda	Low, farmers required to convert to organic production – with zero investment cost. Certification paid for by exporters.	Uganda had less restrictive political environment than Tanzania, which was harder to operate in. The programme generally did not work with government institutions. External conditions broadly positive.	Substantial increase in income for farmers included in some schemes, including poor ones. Increased employment by smallholders. Smaller schemes often failed.	Establishing reliable price incentives for farmers to undertake additional labour-intensive activities.
Kenya Horti-cultural Development Programme. Financed by USAID. Implemented by FINTRAC. Budget US$10.2 mil. over a six year period	Micro / meso	Certification and inclusion of farmers in high-value NTAE value chains.	Support to a wide range of government institutions, foreign and local businesses and farmers associations.	Horticultural produce, fruit, flowers for export and domestic markets.	Mainly central and coastal Kenya	High, smallholder certification costs were subsidised but barriers in terms of farm-level investment and adoption of new management practices prohibitive.	Kenya was the most important horticultural exporter in Africa next to SA. External conditions changing adversely for export horticulture.	The programme claimed sub-stantial average income increases. It appears the programme was most successful in promoting production for the local market.	Difficult to determine. Programme based on assumption that economic growth would trickle down to smallholders.

Programme	*Level*	*Poverty reduction mechanism, as specified in programme*	*Institutional channel*	*Value chain / Production Sector*	*Country / Region*	*Entry barriers*	*Political / business / market environment*	*Impacts*	*Actual poverty reduction mechanism (where applicable)*
								Poverty impact more likely to have arisen from increased employment than small-holder inclusion in value chains.	
Trade and Investment Programme for a Competitive Export Economy (TIPCEE), Ghana. Financed by USAID, implemented by Chemonics. Budget undisclosed.	Micro / meso	Certification and inclusion of farmers in high-value NTAE value chains. Economic growth.	Support to a wide range of government institutions, foreign and local businesses and farmers associations.	Fruit, horticultural products for export.	Rural Ghana.	High, particularly for pineapple, partly as a result of export market conditions.	Ghana was an established fruit exporter, and is generally considered to have an 'enabling environment' for business. External conditions changing adversely.	Formal assess-ments absent, but it is clear that inclusion of small-scale farmers into especially pineapple value chains failed.	Not applicable
KATALYST. Bangladesh. Business service development programme. Multi-donor 5-year budget, 50,7	Micro / meso	Capacity building at the 'upstream' end of the pond fish value chain should enable poor pro¬ducers to increase production and hence ensure	Initially physical markets, later fingerling nurseries and fish farmers associations,	Several. In this case focus on fish farming for local and regional (Indian) markets.	Faridhpur Bangla-desh.	Medium. In order to engage in pond farm-ing, access to land and water was	Apparently broadly positive	Unclear. Positive impact of nursery training on production and incomes of	Provision of training to carry out additional labour-intensive activities in context of favourable

Programme	*Level*	*Poverty reduction mechanism, as specified in programme*	*Institutional channel*	*Value chain / Production Sector*	*Country / Region*	*Entry barriers*	*Political / business / market environment*	*Impacts*	*Actual poverty reduction mechanism (where applicable)*
mil CHF.		higher income and/or increased domestic consumption.				necessary. As the poorest Bangladeshis are landless, these are excluded. Simple pond fishing does not however involve large investments.		fish farming Additional impact through employ¬ment creation, otherwise restricted because of entry barriers	market conditions.
Better Factories Cambodia. Multi-donor programme, implemented by ILO. Budget 2001–2010 US$6.4 mil.	Meso	Link between provision of incentives to exporters (quota increases) and improvement of labour conditions.	ILO	Clothing Industry	Cambodia esp. Phnom Penh.	Low. All clothing manufacturers are invited to submit to inspection by ILO. Inspection costs subsidised.	Programme success based on beneficial trade preferences and strong regional textile complex subsuming an abundance of foreign investors and the presence of a large, cheap and motivated workforce.	The programme reinforced the sustainability of the clothing industry in Cambodia, which now employs more than 300,000 mainly women. Working conditions have improved and unionisation levels are relatively high.	Although not attempting to increase salaries, the programme succeeded in getting employees to implement Cambodian law, including proper remuneration of overtime, piecework etc.

Appendix 2: Terms of Reference

Pro-poor growth and development assistance to export sectors: What works, where and how?

Study outline

Introduction

While a body of evidence suggests that, in developing countries, export growth and GDP growth are causally linked (e.g. Ghartey 1993 on Taiwan and Tao & Zestos 1999 on Korea), understanding of the relation between GDP growth and poverty reduction remains imperfect. Nonetheless it seems reasonable to suggest that support to developing country export growth will have an impact on poverty where this export growth directly involves large numbers of poor people. This study aims at reviewing the experiences of aid to policies or institutions that can facilitate the participation of poor people in export trade, and to export sectors and enterprises where poor people are represented in large numbers, either as producers or as employees. The overall objective is to establish some cautious conclusions concerning what works, what the best practices within the area are, and what the best methods are for identifying and measuring them. This implies an assessment of which types of intermediary, which types of immediate beneficiary and what types of intervention give the best results in terms of reaching the poor.

Pro-poor donor support to export sectors.

According to OECD, aid to trade and export sectors has increased substantially in the first decade of the new millennium. There is, however, uncertainty about actual aid flows to these sectors, related to issues of classification. Some support to these sectors has been classified under the heading Aid for Trade, other support has been classified as Private Enterprise Support and other support has been labelled according to what type of intermediary it has been directed to. This study is exclusively looking at export sectors, and not at the wide range of activities which may also touch export activities, but have a wider focus to promote trade or private sector development, through creating enabling environments etc.

One way to classify aid to export sectors would be to use a simple sectoral classification. According to this, finance for export sector development in developing countries could be seen as falling into three main categories: firstly agricultural production – to which a wide variety of development assistance programmes have been directed but

where, at least until 2004, the least FDI was targeted; secondly to processing and manufacturing industries, whether formal or SMEs. Formal manufacturing enterprises have received a greater level of FDI than agriculture, but fewer donor programmes have been aimed at them; and thirdly to mining and oil extraction, where the majority of FDI has been targeted, but where donor support has been largely confined to attempts to disseminate more institutional transparency and less environmentally and socially harmful extraction techniques.

Existing targets of donor instruments		
Support to trade-based growth with a pro-poor dimension. (International)	Support to business environments with a pro-poor dimension. (Macro)	Enterprise support with a pro-poor dimension. (Meso and micro-levels)
- Improving access to markets for the poorest countries - Improving market access for particular commodities produced by smallholders	- Deregulatory measures aimed specifically at sectors or enterprise types where the poor and vulnerable are concentrated - Infrastructure support with a particular pro-poor element (e.g. feeder roads ensuring market access for smallholder export crops) - National skills training programmes - Revision of labour laws and other legal reviews	*Meso:* - Interventions aimed at increasing economy of scale (e.g. support to producer groups) - Interventions aimed at addressing market imperfections (e.g. through facilitation of credit, input supply, risk management). - Support to business development service provision aimed at SMEs - Support to horizontal SME upgrading programmes *Micro:* - Technology transfer or other support to individual SMEs - Support to large-scale labour-intensive manufacturing and processing firms - Support to expansion of exporters' smallholder supply bases - Training and extension to smallholder export crop producers to meet new standards

An alternative classification method, and that which will be followed in this project, is to consider different types of intervention in terms of their orientation to different levels of the economy, rather than different sectors. Here, it is the categories of the *international* and of the *national* macro, meso and micro-levels which are relevant

- International level interventions would include initiatives, for example, to improve access to developed country markets. Pro-poor versions of such interventions would aim especially at access for the poorest group of countries (LDCs)
- National macro-level interventions may address national policy, structural or institutional issues, for example removing practical bottlenecks to trade via 'trade facilitation' measures. A pro-poor national macro-level intervention might aim at removing physical or bureaucratic bottlenecks where large numbers of poor people are concerned – e.g. such as the poor state of rural feeder roads or especially burdensome SME registration procedures
- However, national-level meso and micro-type interventions are the most relevant for this study to look into, as these most often directly address aid to poor producers.

A few donors (e.g. the Swiss) have sought to address several of these levels at once, through *value chain support*. The aim is to map where bottlenecks or resource shortfalls are, and to ensure that support is directed to facilitating changes with the most 'upstream' benefits. Although there is an emerging consensus that this is a good way to direct pro-poor development aid, programmes of this kind have so far been too few for a general consensus to emerge on how they should best be designed (or even monitored).

This study will attempt to conduct a review of the experiences with support to export sectors to developing countries at the different levels mentioned above. These questions will guide the review:

- Are there certain 'levels' of intervention which seem to have greater impacts than others?
- At the meso and micro-levels, are there certain institutions which are particularly suited for channelling pro-poor support (Lead firms, SMEs, NGOs, farmer associations, Government institutions)?
- Are there certain value chains or sectors which appear best suited for pro-poor support?
- Are there national business environment characteristics which play a large role

in influencing whether interventions are successful or otherwise?
- Are there broader regional characteristics which influence whether interventions are successful (e.g. African vs. Asian experiences)?
- Are there certain political situations, (fragile states, oil-rich countries) which seem best suited for export sector support, or which call for certain types of intervention?

Assessing impact of aid to export sectors.

In societies with a population growth rate of 2–3% annually, and an economic growth rate of 5–10%, things change quickly and it is often hazardous to attribute social and economic changes in people's lives to certain externally-induced interventions in the form of projects and programmes. Moreover, with an ever-increasing imperative to show results, there is a strong temptation for support programmes and projects to attribute as many as possible of the 'positive' developments within the area where they are operating to their intervention, and to explain failures in terms of unforeseeable calamities.

Fortunately, considerable effort has been put into refining the instruments of impact assessment in order to ensure that private sector programmes get credit for what they are achieving. (DCED 2009) There is thus a growing number of studies, impact assessments and evaluations within private sector development, value chain support, aid for trade initiatives, export sector support, etc. that attempt to address this challenge.

As an example of this, DCED (2009) has proposed a number of impact indicators for private sector support programmes, targeted at SMEs:

Scale: Number of target enterprises who realise a financial benefit as a result of the programme's activities per year and cumulatively. The programme must define its 'target enterprises'.

Net income: Net additional income (additional sales minus additional costs) accrued to target enterprises as a result of the programme per year and cumulatively. In addition, there should be indicators allowing assessment of if and how this income is likely to be sustainable.

Net additional jobs created: Net additional, full-time equivalent jobs created in target enterprises as a result of the programme, per year and cumulatively. 'Additional' means jobs created minus jobs lost. Similar considerations on sustainability apply as in regard to net income.

These three indicators seem well targeted for assessing the success of support to individual export enterprises or groups of them, but they are less relevant for assessing the impact of other types of support, and have not been specifically designed to assess impacts on the poor.

The remaining challenges thus include refining and further developing relevant assessment tools, and using them to interpret the reported results of a wide variety of programmes.

Besides this proposed assessment of current strategies and types of intervention with regard to their potential for pro-poor outcomes, Humphrey and Navas-Aleman (2010) suggest that the following issues are worth addressing when going through the different experiences of export sector support:

- The extent to which given donor programmes explicitly have a pro-poor agenda
- The linkages and assumptions (explicit and implicit) through which programme designers have sought to identify likely pro-poor impacts
- Typical or recurrent 'knowledge gaps' in the construction of programmes and evaluation of evidence

These seem to be relevant questions to guide a study of pro-poor impacts. A review of the existing evidence will finally allow a definition of what are the best practices for pro-poor support within the area. Furthermore it will allow the suggestion of a number of additional or revised indicators, which could be introduced in order to ensure a monitoring of whether export support is pro-poor.

Outline of report

The report will contain the following chapters:

1. An introductory chapter, stating the research question, and delimiting the research area. This chapter furthermore includes a review of past trends in support to export sectors as a means to generate pro-poor development, recapitulating the central lessons learned from earlier experiences.
2. A review of recent attempts to support export sectors in developing countries. As the attempts are many, a selection will be necessary.

- Initiatives at an international level to support pro-poor export sectors (certification, improving access to markets etc.)
- Initiatives aiming at creating an 'enabling environment' at macro-level.
- Initiatives aimed at concrete support to SMEs, producer groups, business partnerships, etc.

Emphasis will be put on examples, which have had a specific pro-poor objective. Furthermore selection will be made according to:

- Region (Africa, Asia, elsewhere)
- Sector (agriculture, aquaculture/fishing, manufacturing, extraction)
- Donor (bilateral, multilateral, Chinese/American/European)

The study will furthermore attempt to pick examples which will elucidate what:

- Type of intermediary,
- Type of immediate beneficiary and what
- Type of intervention

are the most effective to target.

3. A discussion of the attempts made to address the challenge of monitoring pro-poor impact. This chapter will critically assess the assumptions underlying these claims, and will discuss which are the best practices of targeting export sector support, while at the same time ensuring a pro-poor focus.
4. A concluding chapter, critically assessing the experiences, outlining best practices and discussing the challenges in the current strategies. This chapter will furthermore come up with some tentative suggestions on how to ensure a pro-poor approach to export sector support. Finally, it will put forward some initial proposals on how to assess a pro-poor impact in the future.

Sources

The study is predominantly a desk study reviewing the experiences of the most important multilateral as well as bilateral donors. Much of the evidence will be gathered from the Donor Committee for Enterprise Development, with WTO and their aid for trade network, the Trade Standards Practitioners Network and the central

bilateral and multilateral donor agencies. Initially, the study will focus on the cases where there has been a deliberate effort to direct support to the poor, either through support to small-scale producers or through job creation. The DIIS research group focusing on global trade has furthermore done extensive research in many aspects of trade and value chain analysis and their work will also serve as a relevant point of departure. The study will also be based on a number of interviews with key informants. These will be selected on the basis of criteria of relevance, having gone through the various studies.

Context

The study is an integral part of the ReCOM research project, which aims at elucidating what works and what is achieved within development assistance. It will be of value when establishing monitoring systems for tracking impact of the second Danida priority theme regarding growth and employment. It equally fits in neatly with the three pillars of the UNU-WIDER programme (The three pillars are i. development finance, ii. hunger and the global food system and iii. climate change and its implications for development strategy), esp. pillar i. and ii. UNU-WIDER has recently advanced understanding of the aid–growth relation. This particular study will complement this knowledge by helping to elucidate the circumstances under which donor-supported trade growth becomes pro-poor (as growth *per se*, according to UNU-WIDER and others, has not always led to poverty reduction). Finally, the study is a timely supplement to the very recent Danida strategic framework for the priority area concerning growth and employment.

The study will be published as a DIIS report. A first draft of the study will be ready by 1 October 2011, and the results will be discussed with the Danish MFA. A final version will be ready by the end of 2011.

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Acronyms

ADB	Asian Development Bank
AFD	Agence Française de Développement
AGOA	Africa Growth and Opportunity Act
BFC	Better Factories Cambodia
CIDA	Canadian International Development Agency
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DfID	Department for International Development
DRC	Democratic Republic of Congo
EBA	Everything but Arms
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
FAGE	Federation of Associations of Ghanaian Exporters
FFA	Fish Farmers Association
FLEGT	Forest Law Enforcement Government and Trade
EPOPA	Export Promotion of Organic Produce from Africa
GAP	Good Agricultural Practice
GATT	General Agreement of Tariffs and Trade
GDP	Gross Domestic Product
GIZ	Gesellschafft für Internationale Zusammenarbeit
GMAC	Garment Manufacturers Association of Cambodia
GNI	Gross National Income
GSP	Generalised System of Preferences
GTZ	Gesellschaft für Technische Zusammenarbeit
ILO	International Labour Organisation
KHPD	Kenya Horticultural Development Programme
LDC	Least Developed Country
MFA	Ministry of Foreign Affairs
MNC	Multinational Corporation
NAALC	North American Agreement on Labour Cooperation
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organisation
NHTF	National Horticulture Task Force
NPFL	National Peoples Front for Liberation

NZAID	New Zealand International Aid and Development Agency
PRS	Poverty Reduction Strategy
PSD	Private Sector Development
SIDA	Swedish International Development Agency
SME	Small and Medium-sized Enterprises
SUA	Sokoine University of Agriculture
TA	Technical Assistance
TIPCEE	Trade and Investment Programme for a Competitive Export Economy
TRQ	Tariff Rate Quota
UNITA	União Nacional para a Independência Total de Angola
USDA/APHIS	US Department of Agriculture Animal and Plant Health Inspection Service
USAID	United States Aid Agency
USCTA	US–Cambodia Textile Agreement
WTO	World Trade Organisation