

# Effectiveness of Aid for Trade programmes providing market information and advice to businesses

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*25 June 2019*

## Question

*1. What is the key evidence examining the effectiveness of development-funded interventions providing market information and advice to business to increase trade and investment, and what does it tell us? Please consider evidence relating to provision of market info and advice both to developing country businesses and to other businesses trading with or investing in developing countries.*

*2. What does the evidence tell us about design criteria for interventions in these areas to be successful, and any major risks that can undermine success?*

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# 1. Summary

Provisions of 'market information' and 'advice to businesses' by donors are components of the Aid for Trade (AfT) agenda. Accordingly, the literature usually addresses this area as part of the broader discussion on AfT modalities. Evidence on the mechanisms of this specific theme in the AfT literature is rather limited. This report provides a rapid literature review of academic journals, policy briefs, and other reports on the topic. Generally, the following core observations are noted in the literature - and these issues will be discussed in subsequent sections of the report.

- **provisions of market information and advice to businesses are useful to firms in developing countries (in raising productivity, business expansion, employment growth, etc.).** Interventions providing market information are particularly instrumental for small and medium enterprises (SMEs), small firms in rural areas, firms led by women and other disadvantaged groups. These 'disadvantaged' firms tend to be more affected from lack of good market information because of their small size as well as financial and technical limitations.
- **Combining more hands-on trainings and capacity building together with information provision and business advice leads to more effective outcomes (e.g. gains in skills, gains in productivity/competitiveness, etc.).** Providing business contacts to SMEs as part of the market information intervention, involving major retailers and multinational firms, and building an interface between global value chains and SMEs have led to growth in exports and firm expansion. The literature shows that companies in agriculture sector are the main beneficiaries of such interventions. This is not surprising as the sector is predominant in developing countries – in terms of number of firms, number of workers and in its contribution to the local economy. Interventions providing advice to businesses were more effective (especially for SMEs producing or processing agricultural items) when the advices showed the ways to improve product quality standards.
- **More successful interventions were seen in cases where donors interacted with firms not only during the implementation phase, but also during the planning and design phase of 'business advice' programs.** This has enabled donors to better identify core problem areas and deficiencies (that are specific to firms, industries, regions, etc.). This also helped in the better uptake of interventions since firms felt involved in the programmes. Successful interventions also had good funding, apart from committed local partners and multiple stakeholders. Well-designed interventions were those that were first setup as pilot projects and then expanded following effective outcomes - and taking lessons from failures.
- Although **both internal factors (i.e. challenges emanating from firms or donors) and external factors (e.g. policy space, politics, market elements, etc.) determine the effectiveness of interventions**, studies have shown that primarily firms' internal factors (e.g. limits in 'absorption capacity' to information, challenges in market competition, challenges in internationalization, weak managerial skills, etc.) explain much of the success or failure of donor interventions providing market information and giving business advices to firms.
- **Research in this area lacks good firm-level micro data.** Gathering robust market data is costly and time consuming for SMEs in developing countries. The readily available data is often an aggregation that is more suited to 'country level' analysis. The lack of good micro-data makes retrieving relevant market information difficult not only for SMEs but also for donors and other government agencies that try to assist firms. For this, data

that is sector specific, industry specific, region specific, and frequently updated will be needed.

## 2. Provision of market information and advice to business within Aid for Trade programmes

SMEs in developing countries recognize the importance of market information to enhance their competitiveness and expand their business. However, their effort to gather such data is impeded by various factors (not least because of resource constraints). Donors, local governments, and other development partners could fill this gap by doing the necessary market research and making their data and findings available as open access resource. Conversely, evidences show that SMEs in developing countries often lack information even about the existence of market support programmes (Higgins and Prowse, 2010; Byiers and Lui, 2013; Salazar, 2019; Belloc and Di Maio, 2011). Thus, interventions should be accompanied by 'awareness raising' operations – so that they can have broader reach to firms.

**Developing country firms must gather market information on wide range of issues to be successful.** This may include information on product characteristics, market, distribution, consumers, competitors, government regulations, etc. Such information enables firms to adjust their actions based on present market circumstances. If there was a uniform and fairer distribution of market information, there would be a healthy competition among firms (Salazar, 2019). However, SMEs often have information constraints.

**In circumstances where businesses refrain from gathering market information, not for lack of 'motivation' but because of various 'trade-related constraints', external actors could play a role** (Atkin et al., 2017). Specifically, donors - together with local government agencies or global businesses - could do the market research (e.g. information on global market and on potential global buyers and through aid for trade schemes) and make this 'market information' easily available through 'advice to businesses' (e.g. advice on 'internationalization' for exporter SMEs) to support the growth of developing country firms (Lee et al., 2018; EU, 2019).

**The task of providing market information and advice to SMEs usually involves improving the flow of information and removing information blockages** (e.g. see section 4). According to (IIED, 2012; p3), some of the areas targeted by external interventions (e.g. donor) include:

- Information and advice (plus mentoring or capacity building) for SME on sustainable supply to domestic and overseas firms;
- Advice on how to add value to existing products and to develop new ones;
- Advice on handling communication with certification bodies;
- Advice on how to meet rigorous quality demands, especially from major international firms and supermarkets;
- Advice on how to negotiate contracts that balance risks and rewards;
- Advice on how to maintain healthy value chains – where all trading parties (producers, suppliers and retailers) benefit, etc.

**To further strengthen their intervention, external actors can do more than information provision.** Whenever possible, they could deliver more hands-on ‘trainings’ and offer multi-faceted business advices (Higgins and Prowse, 2010; Cali and te Velde, 2011; Brazys, 2013). More effort could be exerted in linking rural small firms with larger markets and value chains. Initial assistances could include provision of market information to businesses and schemes to give ‘publicity’ to their product. In later stages, external actors could get involved in ‘trade facilitation’ interventions to ease the movements of products to their intended markets (Salazar, 2019).

Reflecting on the **challenges faced by firms in accessing market information**, IIED (2012; P3) note that:

- SMEs in developing countries and businesses run by small-scale farmers are faced with big hurdles and risks – while they try to align their production processes and marketing to modern international supermarkets and with firms on top of the value chain. This is not only true for new entrant SMEs but also for established SMEs that had years of experience in supplying to local wholesale markets, which may have different quality standards and mode of operation.
- Developing country firms suffer from not only lack of networks and commercial relationships but also from lack of understanding of consumer markets, particularly export markets. These factors (together with limited availability of market information) confine their commercial success.
- External actors that plan interventions to help SMEs themselves should have expertise in export market chains and networks, good industry knowledge, as well as knowledge about the local context in developing countries.
- Interventions by donors (that are conducted with the use of development project funds) could offer a commercial model if proper alignment occurs between the business processes of smallholders, SME suppliers and international firms or big retailers.
- Under the right setting and provision of good market information and business advice (i.e. intervention by donors and various external actors), SMEs in developing countries could enter and succeed in export markets. For those firms that are already engaged in export business, market information could help them to diversify their markets, improve income streams and upgrade their capacities.

### **3. Evidences from interventions and their (in)effectiveness**

To assess the outcomes **of interventions in market information provision and business advice supporting Kenyan flower growers**, the International Institute for Environment and Development (IIED) investigated the ‘health of the trading relationships’ throughout the value chain (IIED, 2012). Specifically, it investigated the evolution of the relationship between a Kenyan SME called ‘Wilmar Agro Limited’ (which exports flowers for the wholesale market in US/UK and to the Dutch auction markets) vis-à-vis its small-scale growers that supply it with cut flowers (i.e. about 2,500 contracted farmers).

The study noted that **connecting small-scale producers to modern markets through support from ethical agents<sup>1</sup> (i.e. information provision and business advice) is ‘not an end in itself’ and that interventions only make sense if the trading relationship are seen as ‘fair and beneficial from all sides’** IIED (2012; p22). In this study, IIED developed (together with Oxfam, Unilever and Kent Business School) a survey tool to investigate the perceived ‘fairness’ of trading relationships. It evaluated the communication between partners, their use and exchange of information, their decision-making processes and how they distributed benefits among themselves (IIED, 2012). The findings revealed that even if all parties agree that the trading relationship is generally ‘fair’, the local exporter firm (i.e. Wilmar) perceives it to be slightly fairer than the flower growers (IIED, 2012; p23). Furthermore, the study found that growers are ‘least satisfied’ in ‘access to market information’. Many growers commented that they received ‘no market information’, especially on price (IIED, 2012; p28).

The study by Salazar (2019) investigated the **challenges of market development faced by forest-based rural small-scale enterprises in Philippines**. It detailed the Experience of SMEs on business advice and market information – especially on ‘Marketing Assistance’. the study found that, in Philippines:

- Business advice or marketing assistance is extended to SMEs primarily by government institutions (rather than external actors like donors).
- The availability of marketing advice and support is less commonly known to entrepreneurs running SMEs. From regional surveys, the study found that just about 29.5% of entrepreneurs knew about the existence of business advice programmes. Furthermore, only a small number of entrepreneurs in the regions knew of ‘private organizations’ extending marketing support.
- Although most centres and institutions providing market information or business advice were concentrated in the Metro Manila region (i.e. capital city), the study found little relationship between SME’s proximity to Metro Manila region and their awareness of the support programmes.
- The sectoral analysis showed that SME awareness of the existence of business advice on marketing and market information was highest in the wearing apparel, wood and food processing industries in descending order.
- He noted that the lack of awareness of these business advice programs is not only due to promotional efforts of the implementing agencies but also due to ‘attitudes of the entrepreneurs’ – who were sometimes indifferent to marketing assistance and ‘saw no pressing need to be helped’.
- Even worse, of those SMEs that were aware of the existence of business advice, less than half (43.7%) pursued support. The SMEs that participated in the business advice and market information provision programs were most keen on information about buyers, suppliers, sources of raw materials, product designs, export opportunities and assistance related to price setting. Further, of those SMEs that were available to receive market information or assistance, the largest majority (up to 86 %) came from urbanised regions.
- Overall, the assistance received was considered ‘effective’ by SMEs - particularly when they subsequently observed increases in sales, orders or customers. Further, SMEs saw interventions as effective when they discovered cheaper sources of raw materials – as a result of market information provisions. Nevertheless, some SMEs saw the support

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<sup>1</sup> An ethical agent refers to a person (or team) combining development and commercial experience (IIED, 2012). See also Annex 1 for more information.

programs as less effective since it 'took too long to produce results or produced nothing at all'.

The study by OECD and WTO (2011) evaluated **the impact of AfT projects (providing market information, business advice and other types of support) on Ugandan businesses**. This was based on a survey of large number of exporting companies (specifically 100 exporting companies and 20 industry associations). AfT interventions tackling market information bottlenecks (i.e. 'communications' sector) were alleged to have made the 'most progress' by wide range of companies and associations. Notable gains were realized even though these areas received 'modest' amount of AfT expenditures – as compared to trade facilitation AfT interventions (OECD and WTO, 2011; p14).<sup>2</sup>

The study also adds that **there were improvements in market access within the sample of companies that primarily export to the East African Community (EAC)**. On the other hand, **firms exporting to developed countries perceived little tangible difference in market access**. They argue that this could be an indication of deeper regional integration (within the 'common market' of EAC), as tariffs on intra-EAC trade have gradually been annulled, regulations are harmonized, and non-tariff barriers are removed (OECD and WTO, 2011; p14).

An assessment of **Aid for Trade projects in Namibia (providing market information, business advice and other capacity building interventions)** was conducted by UNDP (2011). One project of relevance was on 'Export Market Information and Capacity Building' for Namibia Manufacturers Association (NMA). It was set for implementation over the 2012-2015 period with an estimated cost of 5 million USD. The main implementing agencies included Namibia Manufacturers Association and National Chamber of Commerce and Industries. The main results of the project (which matched the objectives) were i) the establishment of market information hubs ii) better access to market information for SMEs and iii) improved capacity and awareness of Namibian SMEs on trade agreements (ibid; p7).

While discussing the challenges specific to interventions providing market information (as well as broader capacity building interventions)<sup>3</sup>, the study noted that the **overall impact on Namibia's development from past AfT interventions remains 'questionable'** – even if the country has been receiving considerable amount of Aid for Trade flows for long.<sup>4</sup> The study notes that it was difficult to ascertain:

- the predictability of resources for sustained intervention;
- the list of concrete ensuing impacts;
- to what extent interventions aligned to national development objectives and priorities;
- whether the identification and formulation of the interventions was participatory and inclusive, etc.

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<sup>2</sup> The study found 'weak' improvements around transport, storage and logistics - despite considerable amount of AfT targeted at these areas.

<sup>3</sup> In addition to the project providing market information (especially on export markets), many other AfT projects were planned in Namibia (e.g. working on Trade and Development Policy, Trade Facilitation, Trade Finance for Small and Medium Enterprises, Promotion of Walvis Bay Corridor, Promoting Trade in Services, etc.). These projects also ran on an average of 2 to 3 years on an estimated budget ranging from 3 to 7 million USD.

<sup>4</sup> In 2009, for example, Namibia received AfT flows amounting to US\$ 61 million. Most of the expenditure was on improving 'economic infrastructure' (US\$ 48.7 million) followed by other goals such as 'building productive capacity' (US\$ 12.5 million). Further, US\$ 232 thousand was allocated for work on 'trade policy & regulation'.



The study also notes that the success of AfT interventions (whether it is in areas of market information provision, business advice support, or elsewhere) is limited by the lack of a national AfT framework and strategy in addition to lack of coordinating and monitoring mechanisms (UNDP, 2011; p7).

Annex 1 and Annex 2 offer further details (summaries and main issues) on the studies discussed above and the respective AfT interventions they assessed – focusing on provisions of ‘market information’ and ‘advice to businesses’.

## 4. Lessons learnt from designs of successful interventions

The literature shows that donors should pay attention to the following core points while designing effective interventions in developing countries (specifically – but not limited to - the provisions of ‘market information’ and ‘business advice’). These include:

- Have funding and ‘local partners’ who are deeply committed to making projects succeed and produce results. Interventions are often effective when both local stakeholders and the donor (or investor) have an important stake in project/program design (IIED, 2012; EU, 2019; Heinrich, 2013; Guyver and MacCarthy, 2011).
- Using creative approaches incorporating ‘local knowledge’ to support the most vulnerable entrepreneurs and businesses (EU, 2019; Bitzer et al., 2017; Liu and Harwit, 2016; OECD, 2011).
- Starting with small or ‘pilot projects’ is an effective approach. Developing countries (especially low-income and fragile ones) are by nature unstable and have vulnerable populations. Starting small and building on successes makes it possible to demonstrate to local entrepreneurs and businesses that new initiatives can work, which in turn helps to build trust and facilitate uptake and expansion of donor programs (EU, 2019; Liu and Harwit, 2016; Cadot et al., 2014; IIED, 2012; OECD and WTO, 2011; Guyver and MacCarthy, 2011).
- Making sure that there is adequate focus on ‘capacity building’ (OECD, 2019; Jones and Copeland, 2017; Hynes and Lammersen, 2017; Lee and Ries, 2016; OECD, 2011; IIED, 2011; EU, 2011).

Studies show that the **support in provision of advice to developing country firms in areas of ‘market development’ count as much as the advice on enhancing ‘production processes’, raising ‘efficiency’ or ‘minimizing cost’ of operation.** For instance, IIED (2012) notes that it is important for external actors (i.e. bilateral donors, multilateral development institutions or government agencies) to support the development of the ‘interface’ between SMEs in developing countries and major retailers in developed markets. Donors, via Aid for Trade initiatives, could provide a range of market information and business contacts that would enable developing country firms to enter the market – and strengthen the performance of incumbent SMEs.

Experience has shown that **small developing country firms (e.g. those supplying agricultural products to western retailers) will struggle to meet international quality standards** (Gnangnon and Roberts, 2015; Cali and te Velde, 2011). ‘**Market development designs**’ have shown the importance of **trial and error** – and the process of driving lessons from it (Belloc and Di Maio, 2012). A study on Kenyan flower growing and supplying businesses has shown that firms that have initially managed to supply their products (e.g. ‘Rainforest Alliance’ certified flower bunches) to major global retailers (e.g. ASDA, big UK retailer) – only went on to

lose their license later due to quality issues and reliability of supply. External actors have helped some of these firms (via provision of market information, business advice, mentoring, etc.) to make necessary changes to their products and in looking for and finding new overseas buyers (IIED, 2012).

Successful interventions had shown that **it is important for donors to involve small enterprises - not only in the implementation of the programmes but also during the design of the instruments** themselves. Firms may not be keen to participate in a programme if it only addresses issues that are low on their priority.<sup>5</sup> For instance, the WTO/OECD 'self-assessment survey' enabled respondents to self-identify their priority areas so that donors can make informed interventions. It was shown that Aid for Trade priority areas for Botswana, Malawi, Tanzania and Zambia were different (Ancharaz and Sultan, 2010; p24).<sup>6</sup>

The study by OECD and WTO (2011) – while noting the **overall success of AfT interventions in Uganda (particularly in areas of market information and business advice provisions)** – warned that there might be mismatches between perceived areas of AfT needs and allocation of AfT funds (e.g. AfT on trade support policy). In addition, it notes the importance of engaging local firms in ex-ante impact assessment and design process of AfT instruments. The importance of shaping general instruments and interventions to match peculiar local conditions and comparative advantages were also stressed for designing effective AfT interventions.

The **success and effectiveness of a development intervention providing market information and advice to businesses will depend on several design factors**. These include, capacity limits of stakeholders (i.e. both donors, beneficiary firms and other partners – e.g. public–private partnerships), interest and knowledge of investors and/or local businesses, the presence of functional local markets and value chains; on existence of good management, etc. Notwithstanding good design, the success of projects will also depend on several internal and external factors relating to implementation. Factors like withdrawal of financing by funders, health issues of implementing staff, expropriation, political problems, environmental catastrophes, lack of security because of new/ongoing war or political instability are all core challenges in developing countries that can determine the success of interventions (Liu and Harwit, 2016).

A World Bank review (A meta-analysis of large number of private sector development interventions in developing countries) observed that **internal implementation factors play a prominent role - over external factors - in influencing project success** (Liu and Harwit, 2016). Importantly, the **projects that were rated as 'successful' were 'well designed'**.<sup>7</sup> The success factors associated with designing the work with local entrepreneurs and SMEs were:

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<sup>5</sup> Such a participatory process of AfT design ensures that the priorities of the recipients are aligned with that of the donors. See section 4 about characteristics of well-designed interventions.

<sup>6</sup> The survey from Botswana showed top priority for 'stronger donor focus on local capacity development', assistance on 'export diversification' by firms, and 'more frequent joint donor-partner implementation efforts'. On the other hand, the survey from Malawi, Tanzania and Zambia showed top priority for 'transport infrastructure', 'trade policy analysis' and 'network infrastructure' respectively. The latter countries also preferred 'greater say in design of AfT' and 'better predictability of AfT funding' to improve the 'implementation and effectiveness' of the assistance they received (Ancharaz and Sultan, 2010; p24).

<sup>7</sup> The measures of success/failure in terms of project outputs (as it relates to information provision and advice) and outcomes were as follows (Liu and Harwit, 2016; p14):



- designing trainings to suit local needs and making sure that what is provided (i.e. information, advice, skill, etc.) are marketable, ensuring that the intervention satisfies the need of the local market and supports local supply chains;
- before full scale interventions, starting with pilot programmes, keeping elements which work and building on lessons learned from pilot projects;
- After drawing lessons from pilot programs – designing and communicating a monitoring system beforehand to track initiatives (whether successful or not) to build on lessons learned;
- avoiding solely top-down approach where the project design doesn't account for local needs or capabilities. Making sure that design processes instil confidence of local entrepreneurs and show how the project would help in supporting their livelihoods;
- Creating a local steering committee that would 'champion' the projects;<sup>8</sup>
- Accounting for sustainability – that is, making sure that new training centres and rebuilt industry contribute to long-term economic growth;
- Making sure that projects with the local community are designed to meet their needs;
- holistic approach to business growth – specifically, sectors where there is interest and potential for growth (e.g. specific needs for skills in specific industries) must be considered;
- holistic approach while considering financing for entrepreneurs and SMEs, as well as developing skills for pricing, sales, marketing and distribution;
- Designing projects with external investment or financing (as much as possible) to ensure their sustainability (Liu and Harwit, 2016; p14).

## 5. What can undermine success?

The challenges that could limit the effectiveness of interventions may be 'design' problems and/or difficulties in 'implementation' (Samuel, 2013; Byiers and Lui, 2013; Hynes and Lammersen, 2017). Understandably, bad project designs have been associated to many

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Achievements of 'outputs' by projects carrying out SME support were measured by:

- a) People trained in more efficient farming methods, light manufacturing, or services;
- b) Training of trainers;
- c) Establishment of local business associations and training centres;
- d) Development of training systems (also in schools);
- e) Training of vulnerable populations—particularly youth at risk of returning to conflict, women; etc.

On the other hand, the sustainability linked 'outcomes' were measured by:

- a) Jobs created;
- b) Investments generated;
- c) Deployment of new production methods: farming, agro-industry, other manufacturing;
- d) Increase in income and/or savings and decrease in poverty, in percentages;
- e) Community development plans created;
- f) Improved standards implemented for production.

<sup>8</sup> For instance, a UNIDO project in Iraq was able to successfully run while being run by staff remotely, due to security issues (Liu and Harwit, 2016, p14).

project failures. Reviews of many unsuccessful projects show that the failures were largely because of flaws in design (Liu and Harwit, 2016).

Further, donors' interventions will face challenges if they are not set out to support the priorities and objectives of their targets (i.e. firms in developing countries). In addition, there will be sub-optimal results and outcomes if donors (carrying out similar interventions) do not coordinate with each other to strengthen local businesses as well as the partner country's institutions, systems, and capabilities to plan and implement projects and programmes for the local private sector (Liu and Harwit, 2016).

The **challenges and risks affecting the effective outcomes of AfT intervention in provision of market information and business advice tend to be broad** – encompassing both internal factors (i.e. factors under the control of firms and donors) and external factors (e.g. broad policy and political factors). Factors that are specific to firms may include - inadequate 'absorption capacity' to market information and business advice, broader challenges associated with competition, complexities of market internationalization, or poor managerial skills (Oum, 2016; OECD, 2019; Königer et al., 2011; Hallaert, 2010). At the same time, the way interventions targeting market information and business advice were 'designed' then 'implemented' by donors will determine the effectiveness of outcomes (see also section 3 and 4). For this reason, the section below will briefly discuss the main challenges that limit success – both from the side of firms and donors.

### **I. Challenges in gathering, analysing and absorbing market information (specific to SMEs)**

**Firms in developing countries (particularly SMEs) have difficulties in 'gathering market information' and limits in their absorptive capacity when such information and advice is provided** to them – whether it is by donors, private organizations, or government agencies working around market development (Salazar, 2019; Byiers and Lui, 2013). Particularly, their lack of operational skills and administrative capacity, as well as broad inefficiencies in their production process may mean that short-lived provisions of market information and market advice by donors alone cannot easily translate into successful and effective outcomes, i.e. production growth, export growth, employment growth, etc. (OECD and WTO, 2011b; World Bank, 2016). In this light, Abe (2015) and Oum (2016) provide some of the commonly noted inhibiting factors faced by SMEs in developing countries. These include:

### **II. Challenges in competition**

SMEs may **not see noticeable gains from interventions because they have considerable competitiveness issues** (despite good program design or implementation by donors). Some of the reasons include:

- SMEs suffer from deficiency of market intelligence on business opportunities, prospective customers, competition status, channels and distribution, local regulations and practices, and taxation, etc.
- They also have weak business networks, which limits their market size. Even if they find the market for their products, they may still struggle to meet large supply demands.
- They face failures in meeting quality and/or delivery expectations of international firms and retailers;

- These firms may also face inadequacy of institutional support and assistance (e.g. from their local governments);
- They face deficiency of required manpower and financial resources;
- Small firm size may result in a high cost of production, compared to larger firms.

### III. Challenges from internationalisation

SMEs in developing countries will face **challenges in their effort to ‘internationalize’ their business operation - through exports**. Some of the barriers to internationalization include:

- Deficiency of information and skills to succeed in free trade agreements, lack of awareness about opportunities and challenges of trade agreements;
- Resource scarcities (i.e. finance, skilled workers, etc.) to internationalise operations (e.g. because of limited capacity to analyse, penetrate, and segment foreign markets).
- Capacity constraints to sustain supplies for large foreign establishments (e.g. multinationals and major retailers); technical inadequacies to adhere to strict quality standards, etc.

### IV. Weak managerial skills

**Managers of SMEs in developing countries face ‘knowledge gaps’ that limit the success of their firms.** Some examples include:

- Deficiency of information about new strategies and techniques as well as incapacity to adjust to new design and production processes;
- Absence of knowhow to use e-commerce;
- Incapacity to properly train their staff to acquire fresh skills;
- Incapacity to hire skilled and talented workforce.

### V. Challenges in program design and implementation (specific to donors)

**Interventions providing market advice may not become effective if they are set up with weak internal and external designs** – i.e. factors ranging from funding difficulties to political influences.<sup>9</sup> Often, ineffective projects had also weak record in involving local stakeholders in the design process (see section 4). In their review of interventions in ‘fragile countries’, Liu and Harwit (2016) noted higher degrees of failure when projects did not approach and ask about the sort of business advice, skill training and market information their target SMEs needed or could sustain. This was especially the case for Entrepreneurs and SMEs run by vulnerable populations, e.g. internally displaced persons and war widows. Some unsuccessful projects were chosen based on ‘local politics’ - instead of a design targeted at ‘real needs’ of entrepreneurs and

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<sup>9</sup> Some failing projects had a combination of bad internal design and external funding gaps. For example, “two UNIDO projects in Sierra Leone and Eritrea had the same objectives – to strengthen SMEs and local entrepreneurs through capacity building and national-level policy development. The project in Sierra Leone did not obtain the funding to proceed, while the one in Eritrea had poorly designed goals and outcomes, making it difficult to assess progress made under less-than-optimal planning conditions” (Liu and Harwit, 2016; p16).

businesses. Other failed interventions were set up on ‘unrealistic time frames’ (Liu and Harwit, 2016)<sup>10</sup>.

## VI. Data Challenges

**Data limitations, especially the lack of good micro-level data on firms is often cited as one of the key challenges** limiting the availability of suitable market information to developing country SMEs and the provision of well-informed market advice by donors (World Bank, 2016; Berritella and Zhang, 2014; Byiers and Lui, 2013). For instance, at a G20 Strategy for Promoting Inclusive Global Value Chains; the OECD, WBG, and ITC noted that the availability of macro data only partially responds to the global value chains (GVC) agenda – and there is a need for investing in strengthening, micro-level data of firms in low-income countries (World Bank, 2016). What would particularly help (both for firms and advisors) is the accessibility of firm-level data that is highly disaggregated by specific markets, industries, firms’ export/import status, firms’ size, etc. There are some commendable initiatives in this regard. For instance, extensions to standard national supply-use tables were created by OECD in 2013. These databases integrate more granular data to conventional data sets. Some of these examples (ibid, p13) include:

- Structural Business Statistics (SBS), that has breakdowns of activity by firm size;
- Trade by Enterprise Characteristics (TEC), which displays the activities of importing and exporting firms, again by size class; and
- Foreign Affiliate Trade Statistics (FATS). Here, however, there are constraints on firm-level data relating to foreign owned affiliates.

## VII. Other external challenges

**In addition to the factors mentioned above (specific to firms and donors), many ‘external’ factors could pose challenges to the effectiveness of interventions** in market information or business advice provisions (Liu and Harwit, 2016; OECD, 2011; OECD, 2011b). Political instability, corruption, inadequately educated workforce, lack of access to electricity and technology, restricted access to finance by firms, etc. will be serious limiting factors to any size of targeted donor intervention.

To conclude, **parts of AfT providing market information and business advice should take a dedicated effort to target vulnerable groups and entrepreneurs.** For instance, the type of challenges faced by women-led SMEs tend to be different from male-led firms. Often, female led SMEs tend to face more barriers as compared to those primary owned by men (Essers, Megersa and Sanfilippo, 2019; Hynes and Lammersen, 2017; Higgins and Prowse, 2010; Quak, 2019). Usually, women tend to have lower access to markets, business information, new technologies, assets, credit, services, etc. Trainings and advices provided to them could also include ways they could better bargain access to resources, negotiate better price with suppliers, and lobby policy makers for policies that are in their best interests. Usually, it is the larger firms and mainly male owned/run firms that have better market information and privileged access to resources (Curtis, 2016).

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<sup>10</sup> An example for this was “a [UNIDO] pilot project to rehabilitate a single dairy plant in Iraq within a very short timeframe of 16 months. The pilot focused on only one plant rather than the whole sector in the area at the request of local partners in country” (Liu and Harwit, 2016; p16).

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## 7. Annex

### Annex 1: studies on Firms in agriculture sector

Study	IIED (2012)
Sector and country	<ul style="list-style-type: none"> <li>• The report looks at the ‘Kenyan Fresh Flowers’ project and investigates if SMEs in the sector or those firms working with flower farmers could supply their products directly to modern retailers, such as those in the UK or US supermarkets.</li> <li>• As an example, the study looks at a Kenyan SME (called Wilmar) - which supplies flowers for the wholesale export market.</li> <li>• To carry out their analysis, the International Institute for Environment and Development (IIED) used an ‘ethical agent’ model. The idea is to develop a value chain that could open a global market (albeit of ‘higher risk, higher reward’ nature) to small growers and suppliers.</li> <li>• <i>Note: An ethical agent is usually a “person, or team of people, with both development and commercial experience.” (IIED, 2012; p3)</i></li> </ul>
Note	<ul style="list-style-type: none"> <li>• Trips to UK were organized for different members of the Africa Flowers team by ethical agents.</li> <li>• The objective of the trips was to provide more market information about the British retail markets to the flower growing businesses.</li> <li>• Market information (via display of flowers on shop floor, different price points, etc.) were provided by the ethical agents</li> <li>• The market information provision also included an ‘analysis of the flower market’. This analysis was used to               <ul style="list-style-type: none"> <li>○ negotiating the terms of supply</li> <li>○ negotiate price paid for individual stems,</li> <li>○ identify gaps in the market, and</li> <li>○ ensure that any new retail products had secondary outlets such as the Dutch auction.</li> </ul> </li> <li>• The flower growers were introduced to buyers and to corporate social responsibility (CSR) managers in the UK and the US</li> <li>• The flower growers were given advices on how to develop ‘systems and logistics’. They were trained on how to create product calendars showing availability and volumes of each flower variety.</li> <li>• They were advised on how to develop a transparent price quotation system, where detailed information is provided about</li> </ul>

	<p>their products, specification, volumes, packaging, payment terms, time validity of quote and other relevant information.</p> <ul style="list-style-type: none"> <li>• They also received market advice regarding efficiency improvements in the production and packaging process. The businesses were also assisted on how to procure and ship flower planting material from Europe.</li> <li>• During the provision of market advice, it was noted that the businesses could benefit from having a staff member dedicated to managing relationships with the new retail businesses. Such a person must be able to communicate challenges and opportunities within both the production process and retail.</li> <li>• Donors (e.g. Fintrac, a local technical support NGO, under the USAID-funded Kenya Horticulture Development Program) helped to fund the salary costs of individuals handling the relationship between the flower business and global retailers.</li> <li>• These staff also received extra trainings to better carry out their roles and acquire necessary skills, especially on retail account management.</li> </ul>
Study	<b>Salazar (2019)</b>
Sector and country	The study looked at the challenges of market development in SMEs by surveying firms in agricultural sector (forest-based rural small-scale enterprises) in Philippines.
Note	<ul style="list-style-type: none"> <li>• noted that about three quarters (74.7%) of surveyed businesses have tried to gather some data on market information.</li> <li>• The most sought-after market information by firms included; prices of products, consumers' buying habits and competitors' areas of strength.</li> <li>• The main source of market information for small businesses were customers of the businesses themselves. Other information sources included suppliers, salesmen, competitors, middlemen, news releases and trade publications.</li> <li>• A quarter of all firms' surveyed did not collect market information. Some of the owners of these firms thought that their businesses were small and had only 'simple marketing requirements'. Other business owners felt that their businesses were stable, thus, not requiring active engagement in seeking market information.</li> <li>• Furthermore, business refrained from gathering market information for various other reasons: <ul style="list-style-type: none"> <li>○ lack of time;</li> <li>○ When the information that they sought was not easily available;</li> <li>○ When gathering market information required considerable finances, which small businesses were keen on saving.</li> </ul> </li> <li>• To realize successful outcomes from the provision of market information and provision of various technical advice to</li> </ul>

	<p>businesses, these interventions could focus on ways to consolidate production;</p> <ul style="list-style-type: none"> <li>○ either through cooperative associations of small firms or</li> <li>○ by making small firms perform as subcontractors of larger firms</li> </ul> <ul style="list-style-type: none"> <li>• To provide market information to businesses ‘effectively’, external actors (e.g. donors) can help in setting up ‘central units’ – which could source information, provide advice to businesses, and facilitate market/product orders by subsector or activity type.</li> </ul>
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## Annex 2: studies on firms in different sectors

Study	<b>OECD and WTO (2011)</b>
Sector and country	<ul style="list-style-type: none"> <li>• This is a case study from Uganda. The study provides a survey of AfT projects (providing market information, business advice, capacity building, and more) in the country and their impact on local businesses.</li> <li>• The study uses stratified random sampling of parallel questionnaires. It has collected the views of 100 exporting companies and 20 associations.</li> </ul>
Note	<ul style="list-style-type: none"> <li>• The report notes that the country is seen as an example of best practice within the context of assessing AfT’s effectiveness. This relates to an evaluation on how well official aid flows are combined, whether there is country ownership, and if development needs are addressed</li> <li>• The study specifically looked at <ul style="list-style-type: none"> <li>○ List of most important factors to achieve export competitiveness in Uganda;</li> <li>○ whether there have been improvements in export competitiveness in the country; and</li> <li>○ whether AfT interventions had a tangible impact on the business environment and constraints to trade.</li> </ul> </li> <li>• The study noted the lack of information to Ugandan businesses regarding the availability of aid initiatives.</li> <li>• Of the different types of AfT interventions, most Ugandan businesses were mainly interested in ‘market information’ and to some extent on market advices relating to issues of ‘quality assurance’ and production process. it was noted that AfT interventions in ‘trade support policies’ were not attended by most sampled companies.</li> </ul>
Study	<b>UNDP (2011)</b>
Sector and country	The report is the outcome of a study commissioned in 2010 by the Namibian government (to United Nations Development

	<p>Programme) on Aid for Trade Framework and Strategy for the country. The core objectives and tasks of study included:</p> <ul style="list-style-type: none"> <li>○ Conducting an analysis and synthesis of national trade capacity development needs, priorities and supply side capacity constraints.</li> <li>○ Identification of on-going Aid for Trade projects and programmes, and gaps in their funding and implementation.</li> <li>○ Identification of interventions for addressing the gaps.</li> </ul>
<p>Note</p>	<ul style="list-style-type: none"> <li>● One of the core AfT projects strategized for the country was 'Export Market Information and Capacity Building' programme for Namibia Manufacturers Association.</li> <li>● The objective of the project is to launch market information hub(s) in addition to building the capacity of Namibian manufacturers, principally the SMEs.</li> <li>● It was intended to provide market information and advice to Namibian businesses regarding trade agreements, rules and negotiations.</li> <li>● Sub-hubs were established in various regions of the country to make sure that beneficiaries can access information easily – where location or distance of the beneficiaries does not pose a barrier to accessing information.</li> <li>● A (central) hub is established in Windhoek, the capital city and economic centre of the country.</li> <li>● The project is focused on boosting access to information by SMEs and help them in their quest to find new market opportunities.</li> <li>● The 'market information hubs' are designed to collate information on export markets both within the region as well as globally - and ensure that the market information is available in a systematic way to local exporters.</li> <li>● It was noted that larger enterprises in the country generally can access such information, whereas the smaller ones find it challenging to access market information.</li> </ul> <p>The main results of the project were:</p> <ul style="list-style-type: none"> <li>● The establishment of market information hub(s)</li> <li>● Better access to market information for SMEs</li> <li>● Improved capacity and awareness of Namibian SMEs on trade agreements, rules and negotiations.</li> </ul>

## Acknowledgements

We thank the following experts who voluntarily provided suggestions for relevant literature or other advice to the author to support the preparation of this report. The content of the report does not necessarily reflect the opinions of any of the experts consulted.

- Evert-jan Quak, Institute of Development Studies
- Neringa Collier, University of Birmingham
- Danny Cassimon, University of Antwerp
- Marco Sanfilippo, University of Bari

## Key websites

- Joint OECD-WTO website on 'Aid for Trade': <http://www.oecd.org/aidfortrade/>

## Suggested citation

Megersa, K. (2019). Effectiveness of Aid for Trade programmes providing market information and advice to businesses. K4D Helpdesk Report. Brighton, UK: Institute of Development Studies.

## About this report

*This report is based on six days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact [helpdesk@k4d.info](mailto:helpdesk@k4d.info).*

*K4D services are provided by a consortium of leading organisations working in international development, led by the Institute of Development Studies (IDS), with Education Development Trust, Itad, University of Leeds Nuffield Centre for International Health and Development, Liverpool School of Tropical Medicine (LSTM), University of Birmingham International Development Department (IDD) and the University of Manchester Humanitarian and Conflict Response Institute (HCRI).*

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