



WORLD TRADE
ORGANIZATION



Aid for Trade Global Review

Empowering connected,
sustainable trade



2022

The World Trade Organization (WTO) is the international body dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible, with a level playing field for all its members.

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Cover: Shop owner in front of her clothes store, Mukoko, Uganda. Herder, Azraq, Jordan. Father and daughter farmers use a solar water pump, Haryana, India.

Aid for Trade Global Review

Empowering connected,
sustainable trade

Results of the 2022 joint OECD–WTO Aid for Trade
monitoring and evaluation exercise

Her maize and cassava crops
yield an annual US\$ 4,000,
Kampong Cham, Cambodia.



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Foreword

**By Director-General
Ngozi Okonjo-Iweala**

The successful conclusion to the WTO's 12th Ministerial Conference (MC12) is an important step towards a stronger and more effective multilateral trading system. MC12 shows that the WTO delivers results for the benefit of people around the world. MC12 has also highlighted the important role of the WTO in addressing the problems of the global commons in areas such as the environment and food security and in acting in the interests of members across different levels of economic development.

This publication helps to set the scene for implementing the decisions taken at MC12 and for advancing our work on bringing stability to a world economy buffeted by the COVID-19 pandemic, the war in Ukraine, climate change and the looming food crisis. It is little wonder that developing countries consider Aid for Trade more important than ever in helping them achieve economic growth and prosperity.

The Aid for Trade priorities spelled out by developing countries and donors in the 2022 monitoring and evaluation exercise, conducted jointly with the Organisation for Economic Co-operation and Development (OECD), echo many of the priorities identified by ministers at MC12. This publication also recognizes the importance of Aid for Trade in supporting capacity building in least-developed countries (LDCs) and the importance of helping developing countries, especially LDCs, achieve sustainable development.

Particularly encouraging is the strong message that developing countries and donors are counting on the multilateral trading system to deliver development outcomes. The COVID-19 pandemic has not led to the downgrading of



trade as a priority in the development strategies of developing countries and LDCs. Indeed, the pandemic has underscored the critical role that trade plays in delivering development outcomes in areas such as the digital economy and in helping countries face the challenges posed by climate change.

It is also heartening to find evidence of developing countries and donors prioritizing sustainability, digital connectivity and women's economic empowerment in their development strategies.

The analysis of the monitoring and evaluation exercise presented here provides a strong case for advancing the Aid for Trade Initiative. The 8th Global Review of Aid for Trade is an excellent opportunity to continue to highlight the benefits of trade for sustainable development outcomes, and advance this critical work.

A handwritten signature in black ink, reading 'Ngozi Okonjo-Iweala'.

Dr. Ngozi Okonjo-Iweala
Director-General

Executive summary

Trade objectives feature prominently in the development strategies of developing countries. Despite the COVID-19 pandemic, trade remains a development priority. This is the strong message that emerges from the 2022 Aid for Trade monitoring and evaluation (M&E) exercise, conducted jointly with the Organisation for Economic Co-operation and Development (OECD).

Developing countries and their financing partners are looking to the multilateral trading system to deliver development outcomes. Of the 53 developing countries which responded to the questionnaire accompanying the M&E exercise, 50 (94 per cent) include trade priorities in their development strategies, including 25 least-developed countries (LDCs) (93 per cent). Responses also indicate that 31 donors (86 per cent) include trade priorities in their development strategies.

COVID-19 pandemic and climate change

The COVID-19 pandemic has prompted a readjustment of Aid for Trade priorities. Many responses to the questionnaire from both developing countries and donors refer to strategies developed specifically to support economic recovery from the pandemic. A little more than two years after the start of the pandemic, trade and the global economy continue to be impacted by it and by the measures taken to control its spread.

Most developing country responses to the questionnaire indicate that Aid for Trade has grown in importance due to the economic and trade impacts of the COVID-19 pandemic. Several donors note that Aid for Trade can mitigate these impacts and support economic recovery from the pandemic.

The enduring impact of the pandemic on the global economy is high inflation, strained public budgets and raised concerns about access to essential supplies, such as food. These issues have been exacerbated by the crisis in Ukraine.

Trade facilitation is the most frequently cited Aid for Trade priority by all participants in the 2022 M&E exercise. It was also a prominent theme at the Aid for Trade event in March 2021 to examine the impacts of the COVID-19 pandemic on trade and development in developing countries.

The event highlighted the importance of trade facilitation on micro, small and medium-sized enterprises (MSMEs), which was also stressed by respondents in the context of addressing the COVID-19 pandemic. Gender perspectives are also increasingly being integrated into Aid for Trade programming. In particular, responses highlight the importance of Aid for Trade in implementing the WTO's Trade Facilitation Agreement and in helping MSMEs recover from the pandemic.

Promoting export diversification, international competitiveness, building productive capacities and connecting to global value chains also rank highly among the trade priorities of developing countries and donors, in particular for landlocked developing countries and LDCs.

Growing awareness of climate change risks

With greenhouse gas emissions at their highest levels in human history, environmental sustainability ranks high as an Aid for Trade priority, particularly among donors. Action to mitigate the effects of climate change is the main objective. Aid for Trade has taken on greater importance in the context of grappling with the

effects of global warming and climate change, some respondents stress. Several donors also point to the potential of Aid for Trade to reduce aid fragmentation.

Immediate and deep cuts in emissions are needed to limit global warming and to limit temperature rises to below 2°C. This urgency is reflected in the responses given in the questionnaire.

The development and trade strategies of developing countries increasingly refer to the environment. However, the transition to environmentally sustainable (green) growth is still at an early stage. Objectives are frequently presented in broad terms, with few targets against which to measure progress.

Challenges in establishing sustainability targets and a lack of in-depth knowledge about the expected trade effects of climate change are among the issues cited as holding back progress. Together with limited access to funding, these factors impede further integration of environmental objectives into trade and development strategies.

Policy commitments were made by governments in the run-up to the 26th United Nations Climate Change Conference in November 2021 to align official development assistance with the Paris Agreement on climate change. Donors and south-south partners have pledged to support the transition to a low-carbon economy by expanding financing devoted to mitigating the effects of climate change – financing which currently falls short of pledged levels.

The OECD's declaration to align development cooperation with the goals of the Paris Agreement may help to mobilize additional resources to help developing countries transition to clean and sustainable energy. Given the role that trade plays in the transfer of technology, skills and know-how, integrating a trade perspective into these financing programmes is an area where the Aid for Trade Initiative can add value.

Engagement between the public and private sector to help to finance the transition to a

low-carbon economy is on the rise. This is an area where Aid for Trade can play a catalytic role by helping to mobilize finance for green supply-side infrastructure and by supporting the private sector to take advantage of opportunities in the low-carbon economy.

There is a discernible trend to greater scrutiny of the “quality” of the development that is being promoted and the sustainability of supply chains. Concerted efforts are also being made by developing countries and their financing partners to integrate women's economic empowerment objectives into climate-related financing programmes.

Digital connectivity emerged as a factor for economic resilience

Digital connectivity quickly emerged as an important factor for economic resilience during the COVID-19 pandemic, as lock-down measures limited person-to-person contact. The pandemic has accelerated e-commerce growth in countries at all levels of development, producing a COVID-19 connectivity boost among developing countries and LDCs. Responses from LDCs cite e-government as a driver of the digital economy.

However, the rapid growth in demand for digital connectivity and services has exposed shortcomings in, for example, information and communication technology (ICT) infrastructure, regulation frameworks, affordability of connection and digital skills. These factors mean the digital divide remains wide, both within and between countries, with MSMEs and women particularly affected.

Basic infrastructure remains a binding constraint for some LDCs. The continuing investment needed to upgrade ICT infrastructure places a fiscal burden on developing countries. Improvements are needed in the quality and scope of regulatory frameworks for e-commerce, and shortfalls in ICT skills need to be addressed.

ICT plays an essential role in accelerating digital connectivity and facilitating e-commerce, which can help to address the world's most pressing

climate and environmental concerns. In turn, improved digital connectivity is fundamental to fulfil the promise of ICT for trade and development outcomes.

Even though digital connectivity is widely recognized as a driver of women's economic empowerment, more than 70 per cent of respondents to the questionnaire highlight that women face particular difficulties in accessing digital technologies.

Digital connectivity and e-commerce are areas where public–private partnerships are flourishing. There is still considerable scope to expand Aid for Trade financing in this area, in particular with regard to bilateral donors and south–south partners. Trade can help to bridge the gap and to reduce the cost of access to ICT services and goods.

Integrating women's economic empowerment into Aid for Trade

The questionnaire data demonstrate how Aid for Trade promotes women's economic empowerment, how donors and partner countries are aligned in their support for gender targeting in Aid for Trade priorities and how Aid for Trade can be a significant instrument to mobilize funds in support of women's economic empowerment.

The vast majority of both developing countries (92 per cent) and donors (90 per cent) include women's economic empowerment as a priority in development strategies. Countries integrate gender issues into a wide range of instruments and policies, starting with their overarching development strategies. In particular, they develop dedicated instruments that address gender perspectives within a specific policy scope. However, integrating gender into trade policy remains an on-going challenge for most countries.

Gender-related Aid for Trade programmes which are specific and targeted focus mostly on women entrepreneurs and farmers. In contrast, there is less focus on the services sector – even though this is the sector in which most women

work. The tourism sector is an exception and is a focus of Aid for Trade programmes. The M&E exercise highlighted, for the first time, that preventing violence against women is a key target of some Aid for Trade programmes.

Women entrepreneurs and business owners tend to have less extensive business networks than male counterparts. Aid for Trade programmes that provide digital networks and platforms and that also offer digital literacy courses can help to reduce the gap.

Aid for Trade programmes targeting women include trade facilitation, access to trade finance, networking and digital platforms, adaptation to climate change, prevention of gender-based violence, and trade promotion and export readiness. Facilitating trade through better infrastructure and simplified procedures can help everyone to trade, including women business owners and leaders.

Collecting data on trade broken down by gender is essential to support the development of gender-responsive trade policies and to promote women in trade. However, it still remains a challenge for most countries, as does conducting gender impact assessments of Aid for Trade programmes. However, efforts are being made by several countries to improve this.

Introduction

Aid for Trade seeks to enable developing countries, and in particular least-developed countries (LDCs), to use trade as a means of fostering economic growth, sustainable development and poverty reduction. It promotes the integration of developing countries, especially LDCs, into the multilateral trading system and aims to galvanize support to build supply-side capacity and trade-related infrastructure in these countries to improve trade performance.

A cornerstone of the Aid for Trade Initiative is the monitoring and evaluation (M&E) exercise, organized by the WTO and the Organisation for Economic Co-operation and Development (OECD), which garners information based on responses provided by donors, recipients and others in self-assessment questionnaires on:

- how Aid for Trade priorities of both partner countries and donors are evolving;
- how trade is being integrated into sustainable development strategies;
- how development partners are mobilizing finance in support of development objectives;
- how trade performance results are tracked and the development indicators which are used.

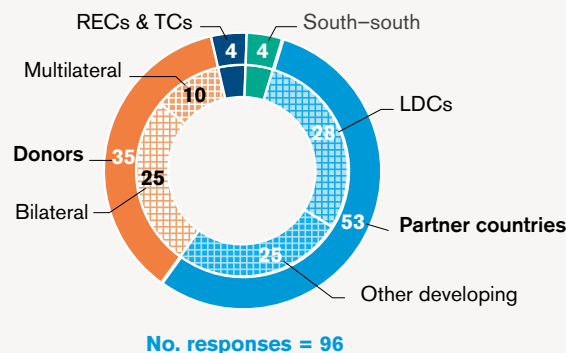
The transparency created by the M&E exercise provides incentives for both donors and recipients to advance the Aid for Trade agenda.

This publication draws on the responses provided by participants to the questionnaire of the 2022 joint OECD–WTO Aid for Trade M&E exercise, which underpins the WTO's 2022 Global Review of Aid for Trade on Empowering Connected, Sustainable Trade.¹ It analyses the information collected from the following participant categories (see Figure 1):

- partner countries, which includes developing countries and LDCs;
- regional economic communities (RECs) and transport corridors (TCs);
- bilateral and multilateral donors;
- providers of south–south trade-related assistance (i.e. between developing countries).

A full list of the participants is provided in Table 1. Figure 2 shows the distribution of partner country responses, by region.

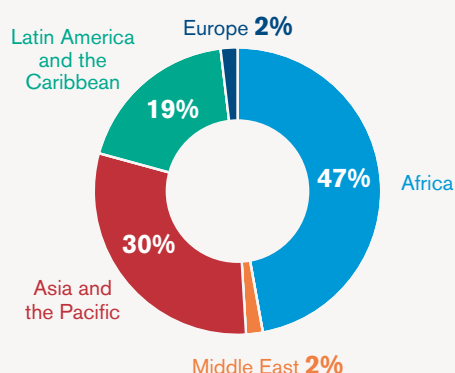
Figure 1: Responses to the questionnaire, by participant category (2022)



Source: WTO Secretariat.

Table 1: Summary of respondents to the questionnaire

Category	Participants
Partner countries	
Africa (25)	<i>Angola, Benin, Burkina Faso, Central African Republic, Comoros, Côte d'Ivoire, Democratic Republic of the Congo, Equatorial Guinea, Ethiopia, Gabon, The Gambia, Guinea, Guinea-Bissau, Lesotho, Madagascar, Mali, Mauritania, Mauritius, Mozambique, Niger, São Tomé and Príncipe, Senegal, Togo, Uganda, Zambia</i>
Asia and the Pacific (16)	<i>Bangladesh, Bhutan, Cambodia, Fiji, Indonesia, Kiribati, Myanmar, Nepal, Pakistan, Papua New Guinea, Philippines, Samoa, Sri Lanka, Tuvalu, Vanuatu, Viet Nam</i>
Europe (1)	Republic of Moldova
Latin America and the Caribbean (10)	Colombia, Dominican Republic, El Salvador, Grenada, Guatemala, Mexico, Paraguay, Peru, Saint Lucia, Saint Vincent and the Grenadines
Middle East (1)	<i>Yemen</i>
Donors	
Bilateral (25)	Australia, Austria, Canada, Czech Republic, European Union, Finland, France, Germany, Hungary, Ireland, Italy, Japan, Republic of Korea, Lithuania, Netherlands, New Zealand, Norway, Portugal, Russian Federation, Slovenia, Sweden, Switzerland, Chinese Taipei, United Kingdom, United States of America
Multilateral (10)	African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), International Trade Centre (ITC), International Islamic Trade Finance Corporation (ITFC), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United Nations Industrial Development Organization (UNIDO), World Bank
Regional economic communities and transport corridors (4)	Pacific Islands Forum (PIF), Central American Secretariat for Economic Integration (SIECA), TradeMark East Africa (TMEA), West African Economic and Monetary Union (WAEMU)
South–south partners (4)	China, Colombia, Indonesia, Türkiye

Figure 2: Partner country responses, by region

Source: WTO Secretariat.

Note: The 28 LDCs are in italics. Colombia and Indonesia each submitted two separate questionnaires to reflect their status as developing country recipients of Aid for Trade and also as providers of south–south assistance. The total number of replies received by 1 March 2022 was 96. Submissions received after the M&E exercise closed are not included in the quantitative analysis, but comments given in response to the questionnaire have been included in the chapter text and tables.

This is the eighth M&E exercise since the launch of Aid for Trade in 2006 (see Figure 3 for a breakdown of responses since 2011). In response to the COVID-19 pandemic, a separate M&E exercise was organized in March 2021.

The on-going economic, development and trade impacts of the COVID-19 pandemic were still being felt when the 2022 M&E exercise was launched in November 2021. Since then, the conflict in Ukraine has heightened existing supply chain challenges and increased uncertainty in food security, with significant knock-on impacts on trade. This crisis has dealt a further blow to economies recovering from the pandemic. An uneven recovery is in danger of becoming further unbalanced as new food and energy security concerns emerge.

Structure

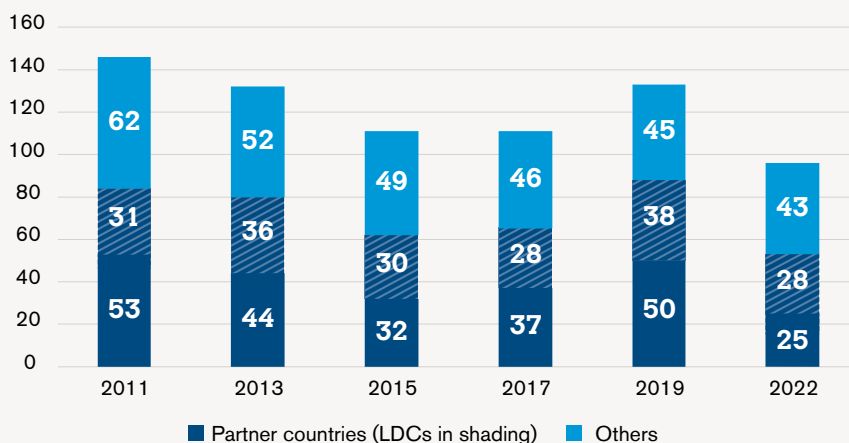
This publication follows the structure of the 2022 M&E questionnaire and comprises four chapters:

- Chapter 1 Aid for Trade priorities: The chapter examines how priorities have evolved and how developing countries and their financing partners have reacted to the

COVID-19 pandemic and its resulting influence on development strategies and priorities.

- Chapter 2 Environment, trade and sustainable development: The chapter analyses how developing countries and their financing partners are integrating environment and trade concerns into their sustainable development strategies. It also looks into the opportunities and constraints they face and how development partners are mobilizing financing in support of sustainable development objectives.
- Chapter 3 Digital connectivity, e-commerce and sustainable trade: The chapter examines how the COVID-19 pandemic has resulted in greater online connectivity and boosted the digital economy. It explores how financing partners are supporting digital trade and how developing countries' needs are evolving, not least in the context of the application of digital technologies for sustainable development.
- Chapter 4 Gender equality, women's economic empowerment and sustainable trade: The chapter explores how Aid for Trade contributes to the economic empowerment of women and gender equality.

Figure 3: Responses to the questionnaire, by participant category (2011-2022)



Note: Out of the 53 partner country respondents for 2022, 12 (23 per cent) are landlocked developing countries and 12 (23 per cent) are small island developing states.

Source: WTO Secretariat.



Fruit stall at the Bhutan Commodity Exchange, which is making the transition to an electronic trading system.

Endnote

1. See *2022 Global Review Launch of the Aid-for-Trade Monitoring Exercise: "Empowering Connected Sustainable Trade"*, WTO document WT/COMTD/AFT/W/88, 19 October 2021. The questionnaires submitted in the 2022 M&E exercise, as well as in previous years, are available at www.aid4trade.org under "Country Profiles". A compilation of all responses received in the 2022 M&E exercise is provided in *Empowering Connected Sustainable Trade*, WTO document WT/COMTD/AFT/W/92, 2 May 2022.

Rice field in the village
of Nalma, Nepal.

A woman wearing a pink turban and a red dress with white floral patterns is smiling while harvesting rice in a lush green field. She is holding a bundle of rice stalks. The background shows a steep, green hillside.

**Aid for Trade
priorities**



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for partner countries

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for donors

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effect on Aid for Trade
priorities

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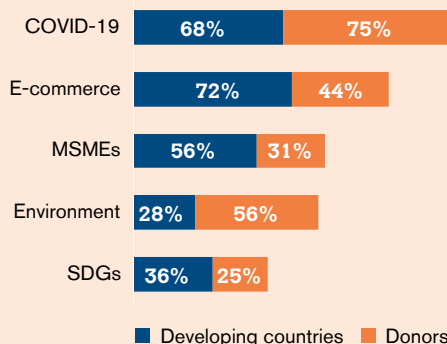
Growing importance
of Aid for Trade

Aid for Trade priorities in times of the COVID-19 pandemic

Trade a development priority for



94%
developing countries and
86%
for donors



Pandemic-specific strategies adopted by



49%
developing countries and
44%
for donors

Other factors triggered change to strategies

E-commerce and digital



72%
developing countries and
44%
for donors

MSMEs



56%
developing countries and
31%
for donors

Environmental sustainability



28%
developing countries and
56%
for donors

Aid for Trade priorities in 2022

Partner countries



57% Trade facilitation
55% Export diversification
45% MSME growth and development
41% Connecting to value chains
41% E-commerce development

Donors



50% Building productive capacity
46% MSME growth and development
43% Trade facilitation
43% Women's economic empowerment
36% Regional integration



Aid for Trade now more important for **72%** of developing countries



Community project in Papua New Guinea helps women working in subsistence fishing by providing them loans, training, mentoring and accessing markets to help them develop sustainable, formal businesses.

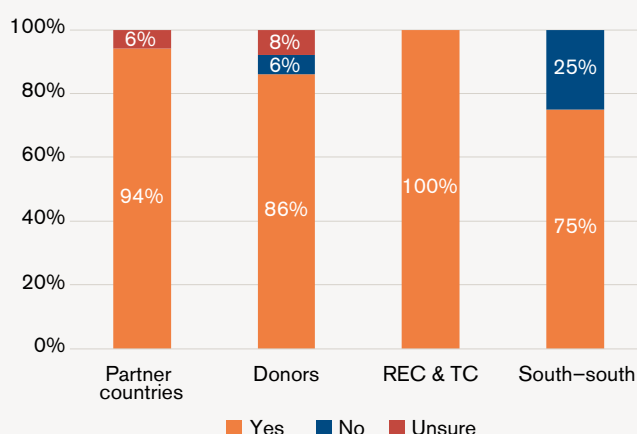
A key objective of the 2022 joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise is to survey stakeholders about their Aid for Trade priorities. The results of the 2022 M&E exercise indicate the continued need for the Aid for Trade Initiative. In the survey, over 70 per cent of developing countries and least-developed countries (LDCs) said that Aid for Trade had grown in importance since 2019, mainly due to the economic and trade impact of the COVID-19 pandemic.

The pandemic has heightened many of the trade and development challenges faced by developing countries and LDCs. While the economic impact of the pandemic has led to many changes in Aid for Trade priorities, both donors and beneficiaries also acknowledge the importance of Aid for Trade in terms of addressing the challenges posed by digital transformation, meeting the needs of micro, small and medium-sized enterprises (MSMEs) and the challenge of transitioning to environmentally sustainable growth.

Facilitating the movement of good across borders – trade facilitation – remains the most frequently cited Aid for Trade priority, with partners and donors well-aligned on its importance. In line with fostering regional cooperation, there is commitment among stakeholders to continue to pursue common projects and programmes.

While some Aid for Trade priorities in development strategies could be expressed with more clearly measurable objectives, including in the area of women's economic empowerment, there is clear evidence of the important role of the Aid for Trade Initiative in reducing fragmentation of aid and improving policy coherence, not least in the area of addressing the pressing challenges of environmental sustainability and climate change.

Despite the COVID-19 pandemic, the responses to the questionnaire indicate that trade remains a development priority. Trade objectives appeared in nearly every development strategy referenced, with 50 of 53 developing countries (94 per cent) reporting that their development strategy includes trade priorities (see Figure 1).

Figure 1: Are trade priorities included in national development strategies?

Source: WTO Secretariat.

For LDCs, 25 of the 27 responses (93 per cent) indicated that trade priorities were incorporated in development strategies; for landlocked developing countries (LLDCs), this was true of 100 per cent of responses.

Addressing trade issues is also a priority in the development strategies of donors and south-south partners. Responses to the questionnaire indicated that the development strategies of 31 of 36 donors (86 per cent) included trade priorities (i.e. Aid for Trade priorities); and this was the case for three of the four south-south partners (75 per cent).

Trade is prioritized in a variety of ways in questionnaire responses:

- trade as an engine to achieve integration into the global economy, with agriculture and fisheries priority sectors (Equatorial Guinea);
- promoting inclusive, sustainable, climate-resilient growth and fair trade (European Union);
- trade as a key driver of sustainable export growth and job creation (Lesotho);
- developing cultural and creative industries (West African Economic and Monetary Union);
- promoting quality growth that is inclusive, sustainable and resilient (Japan);

- trade as a tool to promote the economic empowerment of women (Canada, Democratic Republic of the Congo).

Using the responses given in the questionnaire, this chapter presents an analysis of the general trends in Aid for Trade priorities and provides examples based on the information provided by participants included in respondents to the questionnaire. The results of the M&E exercise have been divided into the following sections:

- Aid for Trade priorities for partner countries;
- Aid for Trade priorities for donors;
- Effect of the COVID-19 pandemic on Aid for Trade priorities;
- Growing importance of Aid for Trade.

This chapter also includes case studies based on work by the following organizations:

- TradeMark East Africa (TMEA): Trade facilitation in East Africa in response to the COVID-19 pandemic;
- United States Agency for International Development (USAID): Facilitating trade policies at borders through a gender perspective.

Aid for Trade priorities for partner countries

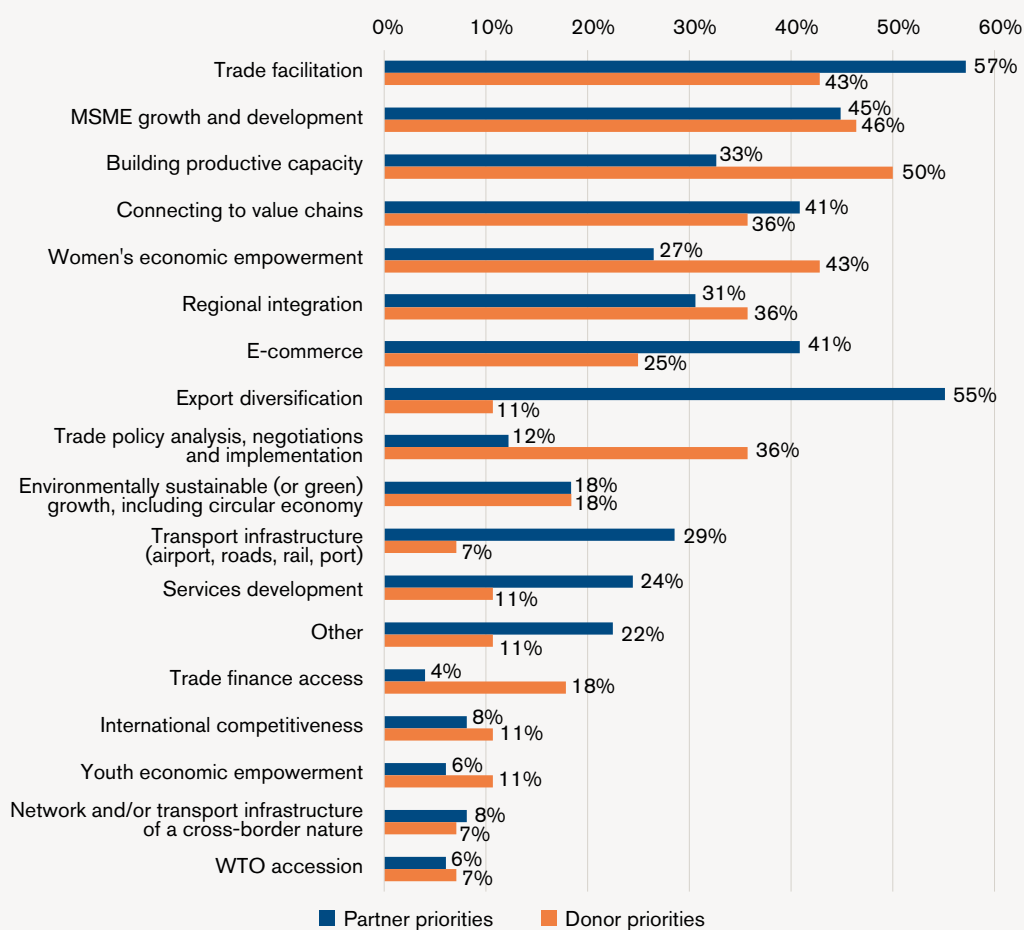
Respondents to the questionnaire were asked to rank their top five Aid for Trade priorities in order of importance. The responses were collated and are presented in Figure 2, which lists the priorities most frequently cited by partner countries, with the corresponding rankings for donors.

- trade facilitation;
- export diversification;

- MSME growth and development;
- connecting to value chains;
- e-commerce development.

The following sections explore each Aid for Trade priority, with MSMEs and e-commerce explored in the section on the effect of the COVID-19 pandemic on Aid for Trade priorities.

Figure 2: Most frequently cited Aid for Trade priorities reported in the questionnaire by developing country partners and donors



Trade facilitation

In the responses to the questionnaire from partner countries, the most frequently cited priority is trade facilitation. Trade facilitation's top position in the ranking most likely reflects the impact of the COVID-19 pandemic on the flow of goods across borders.¹

Many governments across the world took measures to limit the spread of the virus, including:

- the temporary closure of some borders;
- the redirection of transit trade to particular border control points;
- sanitary measures to ensure the health of border officials;
- reduced staffing levels and working hours.

Trade facilitation was a prominent theme at the Aid for Trade event in March 2021 which examined the impacts of the COVID-19 pandemic on trade and development in developing countries.² Digitizing customs procedures, coordinating border management and improving transparency were cited by participants as crucial in mitigating the pandemic's impact on trade and managing the upsurge in small parcels associated with e-commerce.

Participants at the Aid for Trade event also examined the vulnerability of landlocked developing countries (LLDCs) to the effects of cross-border restrictions and border closures implemented by transit countries (see Box 1). Such issues appear frequently in the responses to the questionnaire in the 2022 M&E exercise (see Table 1 for details).

Box 1

Aid for Trade priorities for landlocked developing countries

For LLDCs, trade has to transit through other countries – often developing countries themselves. This implies higher costs, which when combined with frequent, cumbersome border-crossing procedures and inadequate transport infrastructure, slows development and heightens other challenges. According to WTO estimates for 2017, trade costs LLDCs face on manufactured goods are on average the equivalent of a 540 per cent tariff and are about 1.4 times higher than the trade costs for coastal developing countries (on average equivalent to a 386 per cent tariff) (WTO, 2021a).

The COVID-19 pandemic has amplified the vulnerabilities that already existed in LLDCs. Significant supply and demand shocks caused bottlenecks in the container ship supply chain, resulting in a shortage of empty containers. As they rely on the ports of neighbouring countries to access global markets, the LLDCs experienced major supply chain disruptions.

The need to ease the trade bottlenecks that hamper trade in LLDCs underlines the importance of trade facilitation. Facilitating trade not only reduces the high trade and transport costs they face, but also simplifies procedures and streamlines the flow of goods.

A total of 12 LLDCs responded to the questionnaire. Of them, nine identified trade facilitation as their top trade priority, followed by export diversification and building productive capacity.

LLDCs also consider that Aid for Trade has become more important to them than before the outbreak of the COVID-19 pandemic. Some 75 per cent of respondents see Aid for Trade as a mechanism that can support the government in implementing the WTO's Trade Facilitation Agreement (TFA), which entered into force in February 2017. Implementing the TFA would in turn improve their integration into global value chains (GVCs) and enhance the opportunities of accessing international markets.

Table 1: Aid for Trade priorities for partner countries: Trade facilitation

Regions	Responses in questionnaire
Africa	
Mali	Strengthening the single window and its interconnection with other border agencies involved (e.g. customs, taxes, insurance, banks, departments of agriculture and industry, veterinary services)
Mozambique	Aid for Trade needed to implement the TFA
Zambia	Enhancing trade facilitation is a priority in the national trade policy
Asia and the Pacific	
Fiji	National trade policy addresses trade facilitation
Pakistan	Aid for Trade needed to implement the TFA
Papua New Guinea	Prioritizes trade facilitation in development strategy and trade policy
Latin America and the Caribbean	
Grenada	Aid for Trade more important because of need to implement WTO trade facilitation measures to increase transparency and reduce port clearance time
Saint Lucia	Creation of a single window to reduce port-related inefficiencies and costs

“Digitizing customs procedures, coordinating border management and improving transparency are crucial in mitigating the pandemic’s impact on trade.”

Export diversification

Economic diversification is a key priority for many developing countries as they seek to expand the range of goods and services they produce and export, as well as the number of markets they reach. Twenty-seven respondents stated that economic diversification was a priority in national or regional development strategies (see Table 2 for details).



Cargo inspection at the Wahgah border-crossing between India and Pakistan.

Table 2: Aid for Trade priorities for partner countries: Export diversification

Regions	Responses in questionnaire
Africa	
Burkina Faso	Strategy to promote local products (e.g. sustainable development of the shea butter sector)
Democratic Republic of the Congo	Prioritizes sectors with high growth potential (mining, hydrocarbons, metallurgy) and high employment potential (forestry, food and cash crops, agro-industry)
Equatorial Guinea	Prioritizes agriculture and fisheries sectors in exports diversification strategy
Mali	Development of value chains for shea, mango, sesame, cashew, potato, shallot/onion, hides and skins
Latin America and the Caribbean	
Saint Lucia	Annual numerical targets for cruise and airport arrivals to increase tourism spending and quality of experiences

Connecting to value chains

Promoting international competitiveness, building productive capacities and connecting to value chains also ranks high among the Aid for Trade priorities of developing countries and donors. This is particularly the case in the questionnaire responses from LDCs and LLDCs. Equatorial Guinea, Madagascar, Mali, Nepal, the Philippines and Zambia all refer to these Aid for Trade priorities in the context of promoting industrialization or national industrial strategies (see Table 3 for details).

In its response, Togo states that it is convinced that its economic development depends on making agriculture, industry and trade real engines of growth through a better connection to regional and global value chains. This requires the creation of extractive and processing industries for local raw materials.

GVCs are an important driver of economic prosperity and poverty reduction. However, the COVID-19 pandemic hit the operation of GVCs hard (see Box 2). Supply chain bottlenecks at sea and on land have had ripple effects.

“GVCs are an important driver of economic prosperity and poverty reduction.”



Women sell sauces and pastes in Bandiagara market, Mali.

Hinterland transport logjams, overwhelmed ports and shortages of port workers, trucking, chassis and warehousing space have tied up a large amount of shipping capacity.

The supply chain crunch and the responses to it have exacerbated existing tensions in transport and logistics networks, with concerns mounting about repercussions on competition. The

concentrated firm structure in the global shipping industry, the expansion of ocean carriers into services beyond port-to-port activities and special treatment granted to some customers (e.g. through long term contracts, with guaranteed slots and fixed rates) were among the concerns raised at the WTO Global Supply Chains Forum held on 21 March 2022.³

Box 2

Global value chains and the implications for trade and reducing poverty in developing countries

A 2022 report by the World Bank analysed the implications of the changing shape of GVCs for trade and reducing poverty in developing countries (Brenton *et al.*, 2022). It found that although participation in GVCs increased exporters' vulnerability to foreign shocks, it also reduced their exposure to domestic ones.

The report finds that East Asian countries that are deeply integrated into GVCs have recovered more quickly, especially those whose trading partners were also recovering rapidly and where COVID-19 infection rates were lower. Well-operating GVCs have been a source of resilience for developing countries, more than a source of vulnerability. In contrast, countries and regions that are less integrated in the global economy have lagged behind, and many low and middle-income countries are not expected to return to their 2019 levels of GDP per capita until 2023.

The World Bank argues that integration into the global trading system helps to build resilience. Diversifying exports, increasing access to overseas markets through new trade agreements and continuing integration into GVCs can all build resilience to future shocks.

Measures to reduce trade barriers, streamline trade procedures and facilitate trade at borders contribute to the response to a crisis by expediting the movement, release and clearance of goods, including goods in transit, and by enabling the exchange of services, paving the way for greater resilience to future shocks. Such measures support integration into GVCs, boost incomes and could lift almost 22 million additional people out of poverty by 2030. The measures would also increase the incomes of the bottom 40 per cent of the population.

Source: Text adapted from Brenton *et al.* (2022).



EXPERT OPINION

Tourism: From crisis to transformation

Sandra Carvão, Director, Market Intelligence and Competitiveness, World Tourism Organization (UNWTO)

2020 will go down in history books as the year the planet was put on a standstill. As a sector built on mobility and interaction among people, tourism was among the sectors most affected by the pandemic. In 2020, the number of international tourists went back to levels of 30 years ago, with businesses and livelihoods around the world severely impacted. This was particularly hard for developing countries, especially small island developing states, as well as for women and youth, for whom tourism is a leading source of employment and income.

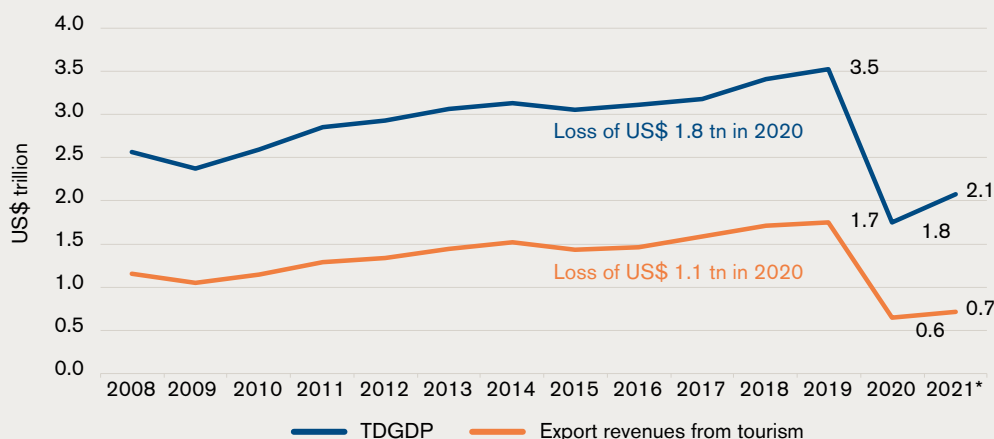
With 1.5 billion people travelling internationally in 2019, tourism export revenues amounted to US\$ 1.7 trillion, equivalent to 7 per cent of overall exports of goods and services. The direct economic contribution of tourism reached US\$ 3.5 trillion, or 4 per cent of global GDP (UNWTO, 2021). As we close two years of an unapparelled crisis,

the direct economic contribution of tourism was still down at US\$ 2.1 trillion in 2021 and the total value of tourism exports at US\$ 713 billion.

Yet, while vaccine equity remains a challenge, the progress that has been made on vaccination, alongside increased coordination among governments, has resulted in a significant easing of travel restrictions* and rising consumer confidence. The latest issue of the *World Tourism Barometer* shows international tourism is recovering at a strong pace (UNWTO, 2022).

Arrivals increased 182 per cent year-on-year in the first quarter of 2022 to an estimated 117 million. Despite the strong rebound, international tourism remained 61 per cent below 2019 levels. Recovery is expected to consolidate throughout 2022, as more destinations ease restrictions and pent-up demand is unleashed. Based on better than

Tourism direct gross domestic product (TDGDP) and export revenues from tourism, world 2008-2021

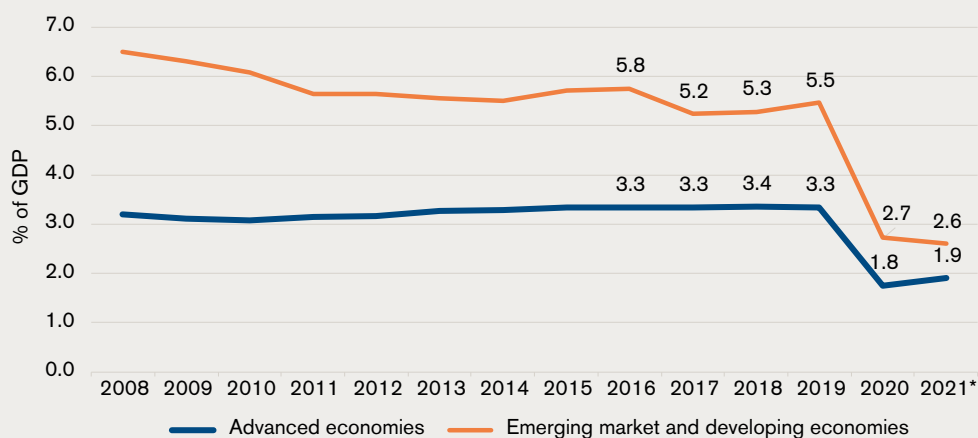


* Data for 2021 estimated.

Source: UNWTO.

* By mid-June, 49 countries worldwide had removed all COVID-related travel restrictions (see <https://www.unwto.org/tourism-data/unwto-iata-destination-tracker-easy-travel>).

TDGDP, advanced economies versus emerging markets and developing economies, 2008-2021



* Data for 2021 estimated.

Source: UNWTO.

expected results as well as booking trends, UNWTO revised its outlook for 2022 upwards, with international arrivals now expected to reach 55-70 per cent of 2019 levels this year.

Prior to the crisis, least-developed countries (LDCs) had received 36 million international tourists. In 2021, that value stood at 5 million. While international tourism recovered to –61 per cent in the first quarter of 2022 globally, arrivals in LDCs were still down at –79 per cent, reflecting the need to accelerate the removal of travel restrictions and supporting countries in coming back stronger and more competitive. This means building LDCs tourism related regulation, governance, skills, market access, digitalization and infrastructure to ensure LDCs benefit full of tourism recovery and accelerate transformation.

The conflict in Ukraine has had a limited direct impact on overall results so far. However, the conflict is causing a major economic shock exacerbating already high oil prices and inflation and disrupting international supply chains, with higher transport and accommodation costs. Inflation and workforce shortages are growing challenges.

As recovery consolidates, it is essential that tourism takes this crisis as an opportunity to accelerate the transformation towards a future built on competitiveness, inclusion, sustainability and strong governance that incorporates the lessons learned from the pandemic:

- **Competitiveness:** Investing in new products and experiences that cater for changing travellers' needs, including nature-based and community engagement experiences, support the digitalization of the sector, particularly for small and medium-sized enterprises, which account for over 80 per cent of the businesses, promote open skies and visa facilitation policies and financing for infrastructure, mainly in the area of connectivity, including digital connectivity.
- **Inclusion:** Working towards greater women's empowerment, inclusion of local communities in tourism development, improvement of work conditions and addressing the informality in the sector as well as advancing education and skills.
- **Sustainability:** Accelerating climate action in tourism through strong actions and commitment to halve emissions over the next decade and reach net-zero emissions as soon as possible before 2050. Investing in measurement, decarbonization and regeneration.
- **Governance:** Promote a whole of government approach to tourism development and management that is based on national and national–local coordination, advance public–private partnerships and community empowerment towards a model of public–private–community partnership, and create new mechanisms of multilateral coordination to increase tourism competitiveness and sustainability while building crisis preparedness.

Table 3: Aid for Trade priorities for partner countries: Connecting to value chains

Regions and donors	Responses in questionnaire
Africa	
Mali	Agro-pastoral sectors, including cotton, hides and skins, meat, milk and mango need support to enter global value chains
Togo	Economic development depends on liberalization by making agriculture, industry and trade the real engines of growth through a better connection to regional and global value chains, which requires the creation of extractive and processing industries for local raw materials
Uganda	Priorities include developing value chains
Asia and the Pacific	
Fiji	Priorities include connecting to value chains
Pakistan	Priorities include integration into global value chains
Latin America and the Caribbean	
Colombia	Persistent need to diversify exports, coupled with new challenges in value chains
Donors	
West Africa Economic and Monetary Union	WAEMU points to the need to use aid for trade to support development of regional value chains

Aid for Trade priorities for donors

The results in Figure 1 show that among donors, the top five Aid for Trade priorities are:

- building productive capacity;
- MSME growth and development;
- trade facilitation;
- women's economic empowerment;
- regional integration.

The following sections explore each Aid for Trade priority, with building productive capacity and MSMEs explored in the section on the COVID-19 pandemic as the main driver for change.

Trade facilitation

The West African Economic and Monetary Union (WAEMU) highlighted the impact of COVID-19 on small-scale cross-border traders.

Disruption caused by COVID-19 included:

- falling demand;
- difficulties in accessing points of sale;
- supply difficulties;
- scarcity of inputs and products.

The disruptions in turn reduced the profitability of trading activities and directly impacted on traders' income and living conditions. The study found that in response, traders had to diversify their source of income and adopt digital payments.

In its questionnaire response, the Inter-American Development Bank (IDB) notes that almost all the countries in Latin America and the Caribbean have responded to the COVID-19 pandemic by implementing trade facilitation measures that accelerate digitalization by focusing on:

- simplifying trade procedures;
- adjusting export systems to receive information and documents electronically;
- implementing virtual and remote inspections of cargo;
- developing virtual foreign trade audits.

In general, the pandemic gave a boost to digital transformation initiatives already underway and



Shallot wholesalers
in Bandiagara
market, Mali.

awoke the interest of countries that had not previously contemplated using them (see Table 4 for details). Some of the initiatives that the IDB found to have gained strength included:

- remote traceability of goods and vehicles with the help of technology;
- fostering interaction with the private sector;
- initiatives to improve the management of e-commerce flows;
- new technologies for data analysis (e.g. advanced analytics, machine learning, big data);
- use of blockchain technology for traceability.

The European Union notes in the questionnaire that its ARISE+ Indonesia Trade Support Facility and Programme proved timely during the COVID-19 pandemic. The secure and confidential environment it provided was valuable when physical meetings and consultative opportunities became more complex or impossible. It has established an electronic interface for ASEAN business councils, trade associations and chambers of commerce to engage with the relevant ASEAN bodies and members on trade facilitation, regional economic integration and intra-ASEAN trade.

Table 4: Aid for Trade priorities for donors: Trade facilitation

Donors	Responses in questionnaire
Asian Development Bank	Preparing guidance notes on trade facilitation, vaccines and essential medicines, and national single windows Publications include a compendium of technical notes on trade facilitation and an MSME toolkit Established a resource centre to coordinate knowledge on trade facilitation
Australia	South Asia Regional Trade Facilitation Program (SARTFP) supports increased and inclusive trade, infrastructure investment, connectivity and integration in the South Asia region
United Nations Conference on Trade and Development	Views implementation of the TFA as an important priority
World Bank	Trade facilitation an Aid for Trade priority

Case study

TMEA: Trade facilitation in East Africa in response to the COVID-19 pandemic

Alarmed by the potential decline of trade in East Africa and the resulting jobs and export losses due to the COVID-19 pandemic, many governments in the region strived to keep trade running safely along the main transport corridors to ensure that:

- people had access to affordable goods;
- markets were well supplied;
- traders were still able to operate despite movement restrictions and a loss of incomes.

TradeMark East Africa (TMEA) created a US\$ 32 million Safe Trade Emergency Facility to ensure trade continued safely while protecting livelihoods by providing support to governments so that they could undertake critical sanitary measures along transport and trade routes.

Physical distancing and testing measures for cross-border transport workers slowed the clearance of goods across borders. To address this, TMEA worked on three main issues:

- making ports, borders and critical supply chains safe for trade;
- distributing emergency personal protective equipment;
- fostering trade technology interventions.

As part of the trade technology interventions, TMEA helped 113,000 drivers to register with the Regional Electronic Cargo and Driver Tracking System, launched by the Eastern African Community. Around 70 per cent of the registered drivers had at least one digital COVID-19 certificate on a mobile application.



Trucks queue at the Kabanga border-crossing station between Burundi and Tanzania.

Digital certificates helped to ease traffic at border-crossings, which had previously been stuck in queues caused by long waiting periods for COVID-19 test results. This trade technology intervention was one of a series of measures taken to ensure that goods continued to flow while simultaneously reducing the risk of cross-border transmission of COVID-19.

Source: See https://www.trademarka.com/wp-content/uploads/dlm_uploads/2014/01/Safe-Trade-Report-2020-2021.pdf.

Women's economic empowerment

On women's economic empowerment, there were varied responses to the questionnaire (see Table 5 for details), including the need to:

- prioritize inclusion that considers all communities, but particularly the most vulnerable sectors of the population, such as indigenous people and women (Mexico);
- integrate gender perspectives into trade facilitation (Australia, Canada, European Union, Germany, United Kingdom, United States);
- promote making border agents aware of gender issues (Germany).

In their responses to the questionnaire, Canada and the United Kingdom refer to the Global Alliance for Trade Facilitation, which is a public–private partnership that supports governments in developing countries and LDCs in implementing the TFA, and note its guide on implementing the TFA through a gender perspective.



Fruit sellers on the road between Ouagadougou and Manga, Burkina Faso.

Table 5: Aid for Trade priority: Women's economic empowerment

Regions and donors	Responses in questionnaire
Africa	
Democratic Republic of the Congo	Economic empowerment of women a priority
Latin America and the Caribbean	
Mexico	Prioritizes inclusion that considers all communities, particularly the most unprotected, as well as the most vulnerable sectors of the population (i.e. indigenous people, women)
Donors	
Canada	Support framed in the context of "feminist foreign policy"
Germany	Supports trade facilitation at the Mwami-Mchinji border between Malawi and Zambia with a project that promotes making border agents aware of gender issues
United States Agency for International Development	Implement policies through a gender lens Gender neutrality can result in unintentional bias against women
World Bank	Although trade facilitation measures are often assumed to be non-discriminatory and apply to all traders in their design, measures might impact/benefit traders in different ways

A study published in 2020 and funded by USAID examines women's economic empowerment and gender equality in terms of trade facilitation (see USAID case study). Among the recommendations in the study is to implement policies through a gender lens (Singh *et al.*, 2020). Gender neutrality can result in unintentional bias against women, the study underlines. This point is also highlighted in the response to the questionnaire made by the World Bank, which recalls that trade facilitation measures are often assumed to be non-discriminatory and apply to all traders in

their design. However, these measures may not necessarily impact or benefit all traders in similar ways.

There is a global lack of data on how trade facilitation interventions impact traders by gender at the company level. There is a lack of information on the actual proportion of cross-border traders who are women. Few countries, know the number of women active in cross-border trade.

Women cross-border traders wait at the Rubavu border-crossing between the Democratic Republic of the Congo and Rwanda.



Case study

USAID: Facilitating trade policies at borders through a gender perspective

The 2020 USAID report *Women's Economic Empowerment and Gender Equality in Trade Facilitation: The Role of Customs and Border Services* provides recommendations on how to implement trade facilitation policies at the border through a gender perspective.

Even before they confront customs agencies, women face a daunting array of barriers to starting and growing their businesses:

- unequal access to financial services;
- higher costs for goods and services due to their smaller scale and unequal access to distribution networks;
- lack of access to legal, marketing, IT and trade information.

Disproportionate burdens of care for children as well as for the elderly, sick and disabled in their families also constrain women in ways that men are not constrained. Women small-scale traders also struggle with low literacy levels due to lack of schooling and a lack of entrepreneurial expertise. They tend to have limited access to capital, social and political influence and representation. They operate in male-dominated environments, where they hold little power relative to male customs and border officials.

In their dealings with women traders, customs officers sometimes have high levels of direct contact, particularly where automation does not exist or is limited. In these cases, individual behaviour can make a significant difference in the ease or difficulty experienced by women traders – especially small-scale cross-border traders. Even where customs processes are automated and personal interaction with agencies is minimal (and primarily through customs brokers and lawyers), women traders may face more barriers, ranging from unequal access to information, networks and capital, to social norms that favour male leadership.

Trade facilitation policies and implementation measures must consider and support the needs of women, including cross-border and other micro traders. Gender-neutral implementation is not sufficient. Progress to support the needs and experiences of women traders becomes more sustainable when it is carried out in the context of organizational cultures and processes (i.e. institutional architectures) that are designed to address and advance gender equality and women's empowerment. In this context, customs agencies can and should create work environments that are both more diverse (increasing trust and institutional legitimacy, by reflecting the populations they serve) and more supportive for women traders (through decreased corruption and sexual harassment).

Source: Text adapted from Singh *et al.* (2020).

Rubavu border-crossing between
the Democratic Republic of the
Congo and Rwanda.



Regional integration

An Aid for Trade priority that emerges from the M&E exercise for both partner countries and donors is regional integration (see Table 6 for details).

Africa

Several African countries identified the African Continental Free Trade Area (AfCFTA) as a driver of change in their Aid for Trade priorities. Mali, for example, highlights that to be able to participate in continental trade within the framework of AfCFTA, it needs to strengthen the competitiveness of its companies and remove barriers to trade. It also needs to encourage its companies to innovate and invest more in new modern production techniques, as well as promote exchanges in products with high added value.

Various donors also highlight their support to AfCFTA implementation in their responses to the questionnaire, for example:

- the European Union supports AfCFTA implementation as part of the Team Europe Initiative and Joint Programming Tracker;⁵
- the International Trade Centre supports gender inclusion through the project SheTrades: Empowering Women in the AfCFTA;⁶
- the United Nations Development Programme (UNDP) supports an inclusive AfCFTA through dedicated programmes of actions towards MSMEs (especially those led by women and youth);⁷
- the United Kingdom supports AfCFTA negotiations and implementation with a package of up to £35 million.⁸

Pacific region

Support for implementation of the Pacific Agreement on Closer Economic Relations Plus (PACER Plus) is highlighted in Australia's response to the questionnaire. Australia notes that the agreement offers a new forum for policy dialogue and decision-making about Aid for

Trade priorities and refers to the Implementation Unit⁹, established to help to implement PACER Plus and deliver regional Aid for Trade activities in the new PACER Plus Development and Economic Cooperation Work Program.

Arab region

Regional approaches to Aid for Trade and COVID-19 recovery are reported by the International Islamic Trade Finance Corporation in its response to the questionnaire. The second phase of the Aid for Trade Initiative for the Arab States (AfTIAS) Programme aims at increasing intra-regional trade through:

- the removal of market access barriers;
- increasing the role of Arab states in GVCs;
- ensuring that the benefits of trade are shared more inclusively across all population groups, including, in particular, vulnerable groups, such as women and youth.

Asia

In its response to the questionnaire, the Asian Development Bank (ADB) argues that one of the lessons from the COVID-19 pandemic is the need for wider, deeper and more open regional cooperation and integration (RCI). It identifies RCI opportunities in key emerging themes that underpin the goals of inclusive, sustainable and resilient recovery (ADB, 2022). The ADB makes the case for an expansion of RCI to new and emerging areas such as:

- high-quality regional connectivity that is resilient and contributes to a net zero transition, including railways and ports, and clean energy trade infrastructure;
- trade facilitation and finance to make supply chains more resilient;
- trade in ICT-enabled services, digitalization and e-commerce;
- environmentally sustainable growth.



A market trader in Tanzania proudly presents his spices.

Table 6: Aid for Trade priority: Regional integration

Regions and donors	Responses in questionnaire
Africa	
Madagascar	Strengthening regional integration with AfCFTA, Common Market for Eastern and Southern Africa and Southern African Development Community
Mali	To participate within AfCFTA, company competitiveness needs to be improved and barriers to trade removed Companies need to innovate and invest more in new modern production techniques, as well as promote exchanges in products with high added value
Donors	
Australia	PACER Plus offers new forum for policy dialogue and decision-making about Aid for Trade priorities Implementation Unit established to implement PACER Plus PACER Plus Development and Economic Cooperation Work Program with a budget of A\$ 25 million (2021-2025) A regional Pacific Aid for Trade Strategy coordinated by the Pacific Islands Forum Secretariat and a PACER Plus Needs Assessment undertaken in 2021 were helping to inform and shape Australia's regional Aid for Trade approach and activities
Canada	Fosters environmentally friendly intra-African trade flows in goods and services by conducting a strategic environmental assessments to examine potential entry points and opportunities for climate change considerations
International Islamic Trade Finance Corporation	Second phase of AFTIAS aims at increasing intra-regional trade through: ▪ removal of market access barriers ▪ increasing role of Arab states in GVCs; ▪ ensuring benefits of trade are shared more inclusively across entire population, in particular vulnerable groups such as women and youth

COVID-19 pandemic's effect on Aid for Trade priorities

The economic impact of the COVID-19 pandemic is the main driver of change in Aid for Trade priorities. Almost half of the responses to the questionnaire report changes in priorities since the last survey was conducted in 2019 – the year before the COVID-19 pandemic. The highest rate of change is

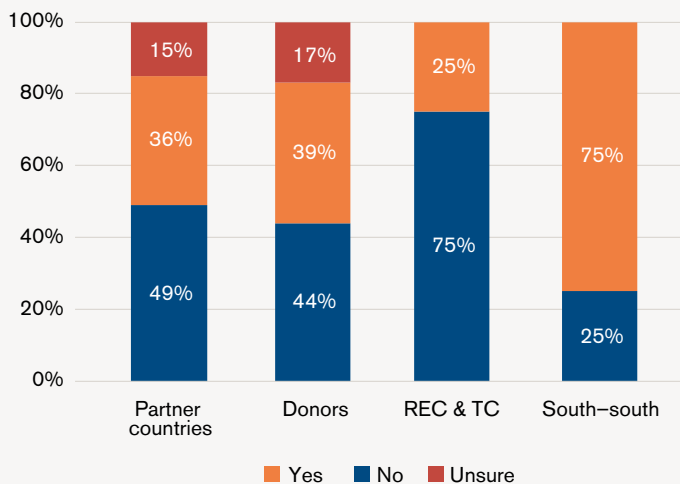
“The economic impact of the COVID-19 pandemic is the main driver of change in Aid for Trade priorities.”

reported by developing countries: 26 of 53 responses (49 per cent) indicated that their Aid for Trade priorities had changed; similar to 16 of 36 responses (44 per cent) from donors (see Figure 3).

As shown in Figure 4, the top four drivers of change in the development strategies of developing country partners and donors are:

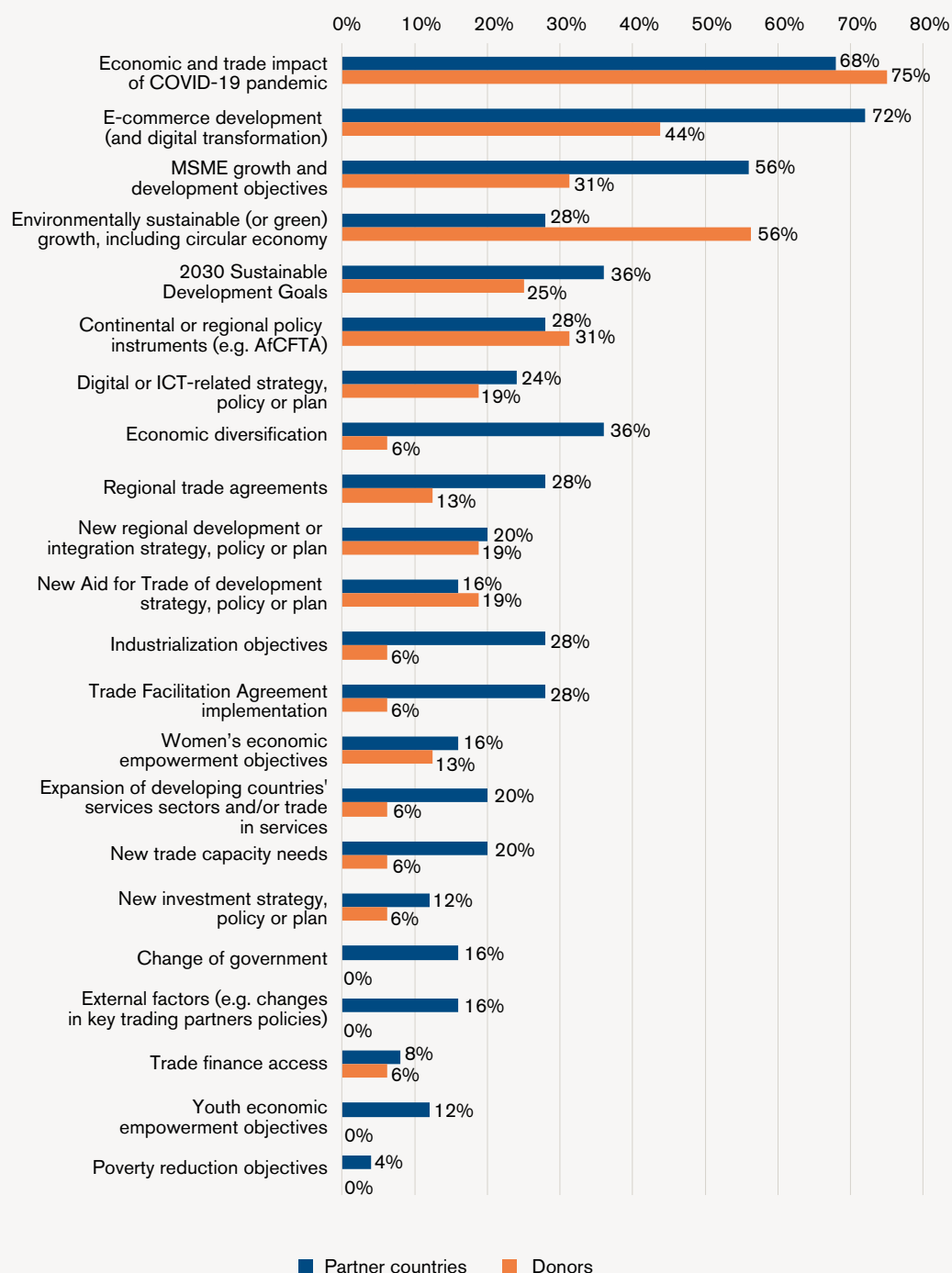
- economic and trade impact of COVID-19 pandemic;
- e-commerce development and digital transformation;
- MSME growth and development objectives;
- environmentally sustainable (green) growth, including the circular economy.

Figure 3: Change in Aid for Trade priorities



Source: WTO Secretariat.

Figure 4: Drivers of change in Aid for Trade priorities reported by developing country partners and donors



Source: WTO Secretariat.

Economic and trade impact of COVID-19 pandemic

Many responses to the questionnaire refer to strategies enacted to support economic recovery from the COVID-19 pandemic: 39 developing countries (74 per cent) pointed to specific strategies they had enacted to cope with the economic and trade impacts of the pandemic.

Mauritius cites measures introduced by the government, the Bank of Mauritius and other public-sector bodies to mitigate the impact of the pandemic on the economy and the population. Saint Lucia highlights that the medium-term development strategy was modified to deal with the pandemic and resources were diverted to meet health and safety challenges and other emerging issues. St Lucia also points to the need to engage donors on refinancing existing debts and securing additional finances to meet immediate needs. The COVID-19 pandemic also hit the LDCs hard (see Box 3).

The questionnaire response of the IDB notes that Latin America and the Caribbean faced the worst socioeconomic crisis in the 61-year history of the bank. The region is currently at a critical juncture due to the COVID-19 pandemic. Long-standing structural weaknesses and recent natural disasters have further amplified pre-existing development gaps.

In 2020, GDP declined by 7.4 per cent in the Latin America and the Caribbean region, which was the biggest fall since 1821, and total employment fell by 10 per cent. In the region, 44 million people were expected to have fallen into poverty and 52 million to have dropped out of middle class strata. Most countries will not return to pre-pandemic levels of GDP until 2023 or real income per capita levels until 2025. The IDB also notes that most worrisome for the region is the rising level of public debt.

The COVID-19 pandemic prompted a rapid increase in sovereign debt across most regions as governments have sought to cushion the impact of the pandemic. The WTO estimates that average government debt increased by roughly 9 percentage points of GDP among low and middle-income countries during the first year of the pandemic, compared to an average of 1.9 percentage points in the decade prior to the pandemic.

The COVID-19 pandemic exerted similarly deleterious effects on growth and development prospects in other regions. According to the African Development Bank, the pandemic led to Africa's first recession in 50 years, with GDP contracting by 2.1 per cent in 2020, 38.7 million more people sliding into extreme poverty and fiscal deficits doubling to 8.4 per cent of GDP (AfDB, 2021).



The COVID-19 pandemic forced the closure of schools and businesses in Madagascar.

Box 3

Economic and trade impact of the COVID-19 pandemic on LDCs

The ability of LDCs to recover from the ongoing pandemic is severely impacted by the challenges they face in trading. Their trade performance is negatively influenced by several factors, such as:

- weak productive and institutional capacity;
- narrow export base and limited market destinations;
- widening trade deficit;
- susceptibility to high price volatility for primary commodities;
- declining demand and global economic contractions resulting from the COVID-19 pandemic.

Merchandise exports

LDCs accounted for 1.15 per cent of global trade in 2020, and 1.14 per cent in 2021. In the second quarter of 2020 as the impact of COVID-19 kicked in, LDC merchandise exports declined 30 per cent year-on-year, compared to a 21 per cent drop in merchandise exports at the world level. In value terms, LDC merchandise exports shrank by nearly 12 per cent in 2020, compared to just over 7 per cent for the world as a whole. Travel exports in LDCs dropped 88 per cent year-on-year in the second quarter of 2020 due to travel restrictions and lockdowns.

Services exports

Services exports in LDCs have been hit particularly hard by COVID-19. In 2020, services exports for LDCs dropped by 40 per cent, which is more than double the drop in world services exports. COVID-19 highlights the need for LDCs to build their supply-side capacity for services to diversify their economies.

Doha Programme of Action for the Least Developed Countries for the Decade 2022-2031

The United Nations Doha Programme of Action for the Least Developed Countries for the Decade 2022-2031* recognizes that:

“Notwithstanding the massive expansion of trade and investment in the past decades, least developed countries face considerable challenges in effective integration into global trading systems and in benefiting from the opportunities afforded by international trade and global value chains.”

One of the targets of the programme is to significantly increase Aid for Trade support for LDCs, which is expected to double by 2031 compared with 2018 levels.

Source: WTO (2022).

* See UN document A/76/L.47.

The African economies most significantly hit by the pandemic were those dependent on tourism. These economies experienced an 11.5 per cent contraction in economic activity in 2020, compared to oil-exporting economies, which experienced a decline of 1.5 per cent in GDP (AfDB, 2021).

At a sectoral level, tourism was one of the sectors hardest hit by the pandemic. The pandemic-induced halt in tourism caused severe recessions in tourism-dependent economies, including those in Asia. In its response to the questionnaire, Samoa highlights the serious shortage of work in the tourism and hospitality sector due to the impact of COVID-19.

Saint Vincent and the Grenadines notes that with the country being heavily dependent on services (particularly tourism) both for income and jobs, the impact of COVID-19 has dealt a heavy blow to its economic situation. In travel

and tourism alone, the income contribution from these sectors has decreased from 41.7 per cent of GDP to only 16.4 per cent and from 44.8 per cent of total employment to 38.2 per cent, many of whom operate in the informal sector.

However, responses to the questionnaire do not indicate any attempts to move away from dependence on this sector. For example, Samoa notes that its tourism authority requires technical assistance and capacity building to train more managers and supervisors in the tourism industry to take advantage of the return of tourism. Similarly, Saint Lucia, while highlighting the impact of COVID-19 on its tourism sector, also recalls its plans to increase investment and build capacity in the sector through new ports and hotel rooms.

Strategies to support economic recovery from the COVID-19 pandemic were also prominent in the responses from donors (see Table 7 for details).

Table 7: COVID-19 pandemic: Economic and trade impact

Regions and donors	Responses in questionnaire
Asia and the Pacific	
Samoa	Serious shortage of work in tourism and hospitality sector due to the impact of COVID-19
Latin America and the Caribbean	
Saint Lucia	Plans to increase investment and build capacity in tourism sector through new ports and hotel rooms
Saint Vincent and the Grenadines	Heavily dependent on services (particularly tourism) both for income and jobs, so impact of COVID-19 dealt heavy blow to the economy
Donors	
Asian Development Bank	Assistance to developing country members includes vaccination support and surpassed US\$20 billion by September 2021
European Union	Together with member states and European financial institutions has provided more than €46 billion of financing in its global response to COVID-19
International Islamic Development Bank	Response package to mitigate the impact of the pandemic worth US\$ 4.6 billion
United States	COVID-19 Global Response and Recovery Framework to end the pandemic globally



The tourism sector in Vanuatu was hit hard by the COVID-19 pandemic.

E-commerce development and digital transformation

E-commerce development and digital transformation is the most frequently cited driver of change to Aid for Trade priorities reported by developing country partners since 2019 (see Box 4). Responses to the questionnaire indicate that the prioritization of this area originates from the outbreak of COVID-19, which (see Table 8 for details):

- highlighted the importance of e-commerce (Mali) and the digitalization of the economy (Republic of Moldova, Philippines);
- prompted the expansion of e-commerce in light of the travel restrictions imposed (Madagascar);
- encouraged the development of an e-commerce strategy (Zambia);
- catalysed reforms to digitalize public services (Togo).

Box 4

The role of digital trade in developing countries' road to recovery

A joint World Bank and WTO policy note reports that digitization is creating new trade opportunities by giving access to remote and foreign markets for firms of all sizes in any location, and by lowering trade costs and expanding the variety of goods and services that can be traded.

New technologies are having a transformative effect on international trade by powering digital trade. Establishing a conducive environment for digital trade, however, remains a complex endeavour. The foundations of digital trade rest on a modern telecommunications infrastructure, a favourable business environment and an educated population. In addition, digital trade requires specific enabling conditions such as specific digital skills and entrepreneurship to engage in digital trade.

Cross-border transactions need effective electronic payment systems. A sound regulatory framework is also needed to strengthen trust in digital markets and provide tools for remote transactions, including cross-border data governance, platform regulation, online consumer protection and digital documentation signature. Furthermore, goods sold across borders through e-commerce need efficient trade facilitation and logistics suited to e-commerce deliveries. Global digital trade would benefit from substantial and clear international rules.

Source: Text adapted from World Bank and WTO (2022).

Table 8: COVID-19 pandemic: E-commerce development and digital transformation

Regions	Responses in questionnaire
Africa	
Madagascar	Travel restrictions during pandemic prompted expansion of e-commerce
Mali	Outbreak of COVID-19 highlighted importance of e-commerce
Togo	Roadmap 2020-2025 seeks to strengthen attractiveness to investors through reforms to digitalize public services and to establish infrastructure for data hosting
Zambia	Developing an e-commerce strategy
Asia and the Pacific	
Philippines	Pandemic highlighted importance of the digitalization of the economy
Europe	
Republic of Moldova	Pandemic highlighted importance of the digitalization of the economy



EXPERT OPINION

Sustaining Aid for Trade in a world of overlapping crises

By Mona Haddad, Global Director for Trade, Investment and Competitiveness, World Bank

This year's Global Review of Aid for Trade takes place at a time of overlapping global crises. The global economy is facing simultaneous emergencies, including the ongoing COVID-19 pandemic, supply chain disruptions, stagflation risks from accelerating inflation and decelerating growth, mounting debt distress across the developing world, continuing climate change and biodiversity challenges, and increasingly situations of fragility and conflict. The spillover effects of the conflict in Ukraine are being felt worldwide, as rising energy and food prices are impacting the most vulnerable population segments (World Bank, 2022).

The World Food Programme estimates that 44 million people in 38 countries are at risk of famine, while another 276 million have become food insecure.* The case for open agricultural trade could hardly be stronger.

Damages in Ukraine will inevitably add to the burden on donor resources already stretched by COVID-19 support measures. The World Bank Group has mobilized US\$ 3 billion in support of Ukraine and is preparing a US\$ 170 billion surge in financing to help our client countries cope with the overlapping crises.

The underlying challenge of inequality adds to the urgency of strengthened cooperation and solidarity, including for trade. The pandemic deepened inequality because of limited access to vaccines for people in poorer countries and their governments' inability to match fiscal and monetary support implemented in advanced economies.

Responding to the COVID-19 crisis remains critical.** The World Bank committed US\$ 11 billion to purchase and deploy vaccines in the last fiscal year, benefiting 81 countries. We delivered US\$ 204 billion of tailored support to our client countries in 2020 and 2021, including for health, education and social protection, to address the damage to human

capital in low and middle-income developing countries from the COVID-19 pandemic.

Keeping markets open and facilitating cross-border trade are central to easing the supply constraints weighing on recovery, driving inflation and worsening inequality. Unfortunately, some countries are adopting the opposite policies – notably export curbs – which can amplify supply problems and inflation. Our research shows that export restrictions alone have added seven percentage points to the price of wheat (World Bank, 2022). Such measures, which risk igniting tit-for-tat escalation that could trigger a severe food crisis, should be urgently reconsidered.

The pandemic highlighted the potential of digital technologies for supporting economic development and building resilience and preparedness against crises. The World Bank Group is stepping up work with public and private partners to help developing countries harness the full potential of digital transformation. WTO members can do their part by reaching agreement on digital trade rules commanding global appeal and supported by Aid for Trade.

Finally, climate change remains a critical global challenge to which WTO members are called upon to shape a supportive trade response. The World Bank Group's *Climate Change Action Plan 2021-2025* (World Bank, 2021a) aligns to the Paris Agreement by bolstering efforts to promote biodiversity, improve access to green energy sources and clean water, and support a just transition to a low-carbon economy adapted to each country's circumstances. We supplied a record US\$ 26 billion of climate financing in 2021. We look forward to sharing insights from our analytical work*** on the key role trade can play in helping countries achieve their net zero emission aims and reap the opportunities opened up by a transition to a low carbon world at this year's Global Review of Aid for Trade.

* See <https://www.un.org/press/en/2022/sc14894.doc.htm>.

** See <https://www.worldbank.org/en/who-we-are/news/coronavirus-covid19>.

*** See Brenton and Chemutai (2021).

MSME growth and development objectives

The growth and development of MSMEs is also a driver of change in Aid for Trade priorities that some countries placed in the context of the COVID-19 pandemic. Responses to the questionnaire include (see Table 9 for details):

- improving the export skills and performance of MSMEs (Fiji, Pakistan, Saint Lucia, Senegal);
- revitalizing the MSME sector together with digital and ICT capacities to counter the adverse impact of the pandemic (Pakistan);
- improving the computer literacy of MSME owners to use digital and e-commerce hardware and software effectively (Samoa);
- prioritization of MSMEs as an objective in updated development strategies (The Gambia, Peru, Togo).

MSMEs account for 95 per cent of all firms, accounting for 60 per cent of total employment and 50 per cent of GDP in developed countries and 35 per cent in developing countries.¹⁰ Research suggests that the pandemic has exacerbated the higher fragility of MSMEs as compared to larger firms, due to their limited access to finance, physical and digital infrastructure and to information on risk management (WTO, 2021b).

Research by the International Trade Centre highlights that smaller firms were less resilient to the economic shocks caused by the COVID-19 pandemic than larger companies (ITC, 2021). The research found that factors than just firm size also played a role in resilience. A series of business fundamentals were demonstrated by MSMEs that showed a high degree of resilience through the pandemic.



Businesswoman pours molten metal into dirt-covered moulds to make 120-230 cooking pots each day, Kampala, Uganda.

Table 9: COVID-19 pandemic: MSME growth and development objectives

Regions	Responses in questionnaire
Africa	
The Gambia	Prioritization of MSMEs as an objective in development strategies
Togo	MSME contribution to development and growth is considerable and a priority area for Aid for Trade
Asia and the Pacific	
Pakistan	Seeking to revitalize the MSME sector together with digital and ICT capacities to counter the adverse impact of the pandemic
Samoa	Need to improve the computer literacy of MSME owners to use digital and e-commerce hardware and software effectively
Latin America and the Caribbean	
Peru	Prioritization of MSMEs as an objective in development strategies

Environmentally sustainable (green) growth, including the circular economy

Environmental sustainability is the second most-cited driver of change in Aid for Trade priorities by donors. The World Bank is among a number of donors to promote a build back better approach in COVID-19 recovery support in the form of a green, resilient and inclusive development strategy.

Responses to the questionnaire also suggest that environmental sustainability is an established priority for developing countries (see Table 10 for details). Fifty-one developing country governments (96 per cent) that replied to the self-assessment questionnaire indicate that sustainable development is a priority in their national development plan or strategy.



Banana crop still on the stalk in Bangladesh.

Table 10: COVID-19 pandemic: Environmentally sustainable (green) growth, including the circular economy

Regions	Responses in questionnaire
Africa	
Comoros	Strategy to foster development that is resilient to climate change and disasters at all levels of development
Zambia	Established the Ministry of Green Economy and Environment
Asia and the Pacific	
Bangladesh	Priority is coping with trade-related challenges post-LDC graduation
Fiji	Small island developing states face existential crisis due to climate change Development strategy encourages trade of environmental good and services and promotes a circular economy
Vanuatu	Many changes in Aid for Trade priorities induced by natural disasters and climate change Increased incidence of cyclones, droughts, floods, volcanic eruptions and rising sea levels severely hampered exports of goods and services to foreign markets Building domestic productive capacity given higher priority and attention refocused on agriculture sector and MSMEs
Latin America and the Caribbean	
Colombia, Guatemala	Greater emphasis on sustainability, compliance with environmental commitments and development of the circular economy driver change in Aid for Trade priorities

Growing importance of Aid for Trade

Aid for Trade has become increasingly important to partner countries and an important tool to promote policy coherence for donors. Stakeholders who responded to the questionnaire stating that it has become more important since 2019 included:

- 38 of the 53 (72 per cent) developing country partners;
- two of 4 regional communities (Pacific Islands Forum Secretariat and WAEMU);
- one south–south respondent (China).

“Aid for Trade has become more important to beneficiaries and an important tool to promote policy coherence for donors.”

In contrast, 26 out of 36 (72 per cent) donors were of the view that there had been no change in the importance of the Aid for Trade Initiative since 2019.

In their responses to the questionnaire, most developing country partners point to the economic and trade impacts of the COVID-19 pandemic as reasons for the growing importance of Aid for Trade, giving examples such as (see Table 11 for details).

- the need for more Aid for Trade to augment national budgets following the adverse fiscal impact of COVID-19 (Lesotho, Pakistan);
- budget restrictions resulting from the COVID-19 pandemic meaning more international cooperation was required for some foreign trade projects (Peru);
- adverse effects of the COVID-19 disproportionately impacting LDCs (Zambia);

A farmer in Burkina Faso grows crops of banana, cabbage, lettuce, potato and onion.





Ethiopian farmers sort tomatoes before going to market.

- increased importance for Aid for Trade in the context of grappling with the effects of global warming and climate change (Zambia) and the impact of natural disasters (Saint Vincent and the Grenadines);
- the need for more Aid for Trade post-conflict to rebuild infrastructure, productive capacities and support vulnerable members of the population, in particular women and youth (Yemen).
- the need for continued Aid for Trade to implement measures in the WTO's Trade Facilitation Agreement (Grenada, Mozambique);
- the need for Aid for Trade to implement the AfCFTA (The Gambia, Mali);
- general need for Aid for Trade to support the realization of policy objectives (e.g. making Comoros an emerging country by 2030, supporting Uganda's aim to become an export-oriented economy while ensuring continued economic diversification, and adapting to the rapidly changing domestic and global trading environment in the case of Vanuatu).

These views are shared by several donors. Aid for Trade remains a key component of Australia's COVID-19 development response under the economic recovery policy in the Indo-Pacific.

Similarly, New Zealand highlights that although the COVID-19 pandemic has created a greater need for Aid for Trade, the allocation of financing had not increased, so essentially there was more demand for the same financing.

Several donors point to the potential of Aid for Trade to reduce aid fragmentation and to improve coherence. In the responses to the questionnaire, they say the aim of their strategies included (see Table 11 for details).

- increasing the leverage of Aid for Trade for better informed and coordinated delivery (European Union);
- using Aid for Trade to bring greater coherence to donor efforts and to bring about increased operational efficiency in advancing inclusive growth (Canada);
- using Aid for Trade programmes to break down barriers to trade internationally and to allow developing countries to access markets (United Kingdom).

In its response to the questionnaire, the United States also highlights that the critical linkages between trade issues and development programming called for a greater level of cross-sectoral integration and coordination. US trade-related capacity building focuses on implementing trade agreements, facilitating trade flows and enhancing economic responsiveness.

The United States also said it takes into account the changing environment marked by the e-commerce boom, expansion of trade in services and the dispersion of production across many countries with integrated GVCs. It addresses other evolving factors such as:

- increasing regionalism;
- increasing numbers of international trade agreements;
- greater focus on environment, labour and gender matters;
- greater role of the private sector.

Table 11: COVID-19 pandemic: Growing importance of Aid for Trade

Regions and donors	Responses in questionnaire
Africa	
Lesotho	Need for more Aid for Trade to augment national budgets following the adverse fiscal impact of COVID-19
Mauritius	Aid for Trade more important after the pandemic
Zambia	Aid for Trade more important because the pandemic affects LDCs more than other countries Increased importance for Aid for Trade in grappling with effects of global warming and climate change
Asia and the Pacific	
Pakistan	Need for more Aid for Trade to augment national budgets following the adverse fiscal impact of COVID-19
Latin America and the Caribbean	
Peru	Budget restrictions resulting from the pandemic meant more international cooperation required to carry out some foreign trade projects
Saint Vincent and the Grenadines	Aid for Trade more important due to the impact of natural disasters on economy (i.e. combined effect of La Soufrière volcanic eruption and a hurricane in 2021) Aid for Trade needed to rebuild damaged infrastructure, production capacity, the modernization of the services sectors and the use of ICT infrastructure to enhance competitiveness and facilitate trade
Middle East	
Yemen	More Aid for Trade needed post-conflict to rebuild infrastructure, productive capacities and support vulnerable members of the population (women, youth) Conflict left trade-related infrastructure damaged or destroyed Normal course of trade negatively affected, with focus of aid on humanitarian assistance
Donors	
Australia	Aid for Trade a key component of COVID-19 development response under Partnerships for Recovery policy in the Indo-Pacific
Canada	With Aid for Trade, greater coherence of efforts and better position to engage with increased operational efficiency in advancing inclusive growth
European Union	2017 strategy sought to increase Aid for Trade leverage for better informed and coordinated delivery, further deepened by the Team Europe approach Approach sought to scale up impact by making the most of instruments across EU external policies, in particular: ▪ EU External Investment Plan ▪ trade agreements (e.g. Economic Partnership Agreements, free trade agreements, Deep and Comprehensive Free Trade Areas) ▪ trade schemes (Generalized Schemes of Preferences, Everything but Arms)
New Zealand	Pandemic created a greater need for Aid for Trade However, Aid for Trade financing had not increased, resulting in more demand for the same allocation
United Kingdom	Aid for Trade programmes helping to break down barriers to trade internationally and to allow developing countries to access market

Endnotes

1. See <https://www.oecd.org/coronavirus/policy-responses/getting-goods-across-borders-in-times-of-covid-19-972ada7a>.
2. See https://www.wto.org/english/tratop_e/devel_e/a4t_e/gr21_e/gr21_e.htm.
3. See https://www.wto.org/english/news_e/events_e/gscforum2022_e.htm.
4. See <https://ariseplus-indonesia.org/en>.
5. See <https://europa.eu/capacity4dev/tei-jp-tracker/tei/support-african-continental-free-trade-area>.
6. See <https://www.shetrades.com>.
7. See https://www.undp.org/africa/press-releases/afcfta-and-undp-announce-new-partnership-support-largest-trade-area-towards-inclusive-growth-africa?utm_source=EN&utm_medium=GSR&utm_content=US_UNDP_PaidSearch_Brand_English&utm_campaign=CENTRAL&c_src=CENTRAL&c_src2=GSR&gclid=EAlaIQobChMIl5iYgv6a-AIV0o1oCR1t4AsDEAAYASAAEgL_v_D_BwE.
8. See <https://www.gov.uk/government/news/uk-backs-africas-ambitious-continental-free-trade-initiative>.
9. See <https://pacerplus.org>.
10. See https://www.wto.org/english/tratop_e/msmesandtra_e/msmesday20_e.htm.

Solar powered irrigation in
Zimbabwe.



**Environment,
trade and
sustainable
development**



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Financing environmental objectives

Environment in trade strategies



86%

of developing countries have trade objectives that address environmental issues

Trade in environment strategies



88%

of developing countries have trade objectives in sustainable development strategies



96%

of developing countries point to agriculture as sector with economic and export diversification potential



66%

of developing countries indicate industry sector to face greatest challenges

Circular economy



43%

of developing country respondents have circular economy strategies

Women's economic empowerment



79%

of developing country respondents have policies to address the environment and support women's economic empowerment

Financing for climate mitigation or adaptation increasing since the Paris Agreement



14%

of climate finance in 2019 from private sector



35%

of Aid for Trade earmarked for climate mitigation or adaptation



Women harvest lemongrass to be distilled into essential oil, Chisapani, Nepal.

The growing awareness of the impacts of climate change is spurring Aid for Trade stakeholders to take action now to integrate environmental objectives into their sustainable development strategies. Simultaneously, trade objectives are now appearing more frequently in governments' sustainable development strategies; and similarly, trade strategies increasingly refer to environmental objectives.

This process, however, has just started to take shape. Environmental and trade objectives are frequently only broadly described, with little detail and few targets against which to measure progress. Comparisons of the different strategies to attain the objectives can be difficult.

Policy commitments were made by bilateral and multilateral donors together with south–south partners pursuant to the 26th United Nations Climate Change Conference (COP26) to align official development assistance (ODA) with the Paris Agreement and to expand climate finance. The Aid for Trade Initiative intersects with these financing plans given the role that trade in environmental goods and services plays in the transfer of technology, skills and know-how.

The 2022 joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise attempts to address this through a questionnaire which was sent to the Aid for Trade participants. Using the responses given in the questionnaire,

this chapter presents an analysis of the data, general trends in the findings and explicit examples based on the additional information the participants included in the questionnaire. The results of the M&E exercise have been divided into the following sections:

- mitigation of the effects of climate change on the environment, trade and sustainable development;
- inclusion of environmental objectives in sustainable development strategies to mitigate the effects of climate change and to integrate the United Nations Sustainable Development Goals (SDGs);
- barriers to the inclusion of environmental objectives in sustainable development strategies;
- integration of trade objectives into sustainable development strategies of developing countries;
- integration of environmental objectives into trade strategies;
- integration of environmental and trade objectives into Aid for Trade donor strategies;
- inclusion of gender equality and women's economic empowerment into sustainable development strategies;
- inclusion of circular economy objectives in sustainable development strategies;
- transition to a sustainable economy;
- financing environmental objectives in trade and sustainable development strategies.

Mitigation of the effects of climate change on the environment, trade and sustainable development

Responses from developing countries to the questionnaire accompanying the M&E exercise highlight the challenges of establishing objectives without sufficient knowledge about the expected trade effects of climate change.

In addition, developing countries identify the difficulty in accessing funding as a barrier to further integrating environmental objectives into trade and sustainable development strategies.

Burgos Wind
and Solar Farm,
Philippines.

Attaining net-zero carbon emissions

Greenhouse gas (GHG) emission levels, which are already the highest recorded in human history, continue to rise. The latest assessment by the Intergovernmental Panel on Climate Change (IPCC) concludes that if measures are not taken to avoid global warming of more than 3°C by 2050, irreversible impacts on natural and human systems will inevitably take place, pushing societies beyond their ability to adapt (IPCC, 2022).



Immediate and deep GHG emission reductions are necessary to limit global warming, as foreseen by the Paris Agreement under the United Nations Framework Convention on Climate Change, which aims to limit temperature rises to below 2°C with the target of 1.5°C by 2050.

A study by the International Energy Agency (IEA) concludes that attaining net-zero carbon emissions requires “a singular, unwavering focus from all governments” and in cooperation with the private sector, which is underpinned by government policy decisions (IEA, 2021):

“Devising cost-effective national and regional net zero roadmaps demands co-operation among all parts of government that breaks down silos and integrates energy into every country’s policy making on finance, labour, taxation, transport and industry. Energy or environment ministries alone cannot carry out the policy actions needed to reach net zero by 2050.”

“WTO members can do more to lower the cost of getting to net-zero carbon emissions. Cutting trade barriers to environmental goods and services is one place to start.”

**Director-General
Ngozi Okonjo-Iweala**



Amazon Rainforest,
near Manaus,
Brazil.

In a speech in April 2022 at the Instituto Rio Branco, Brazil, Director-General Ngozi Okonjo-Iweala spoke of the potential of WTO members to do more to lower the cost of achieving net-zero carbon emissions, and that removing trade barriers to environmental goods and services is one place to start.¹

26th United Nations Climate Change Conference

The COP26, held in Glasgow, United Kingdom, at the end of 2021, called for further efforts to reach the Paris Agreement targets of net zero. The draft decision of COP26, known as the *Glasgow Climate Pact*², emphasizes:

“the urgency of scaling up action and support, including finance, capacity-building and technology transfer, to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change in line with the best available science, taking into account the priorities and needs of developing country Parties”.

This urgency is reflected in the responses given in the questionnaire, which recognize the need for action and referred to current plans on the transition to net zero. Respondents also highlight how the deliverables agreed at COP26 build on the work already undertaken for the United Nations 2030 Agenda for Sustainable Development (United Nations, 2015).

COP26 policy commitments

Policy commitments were made in the run-up to COP26 to align ODA with the Paris Agreement. Donors have pledged to support the transition to a low-carbon economy by expanding funding

devoted to mitigating and adapting to the effects of climate change, which is commonly called climate finance (see Box 1).

Although climate finance provided by developed countries has steadily increased since 2013, the US\$ 79.6 billion achieved in 2019 (OECD, 2021a) is still short of honouring the commitment to raising US\$ 100 billion every year. The *Glasgow Climate Pact*, agreed at COP26, calls for greater resource mobilization, including by engaging the private sector to help achieve net-zero targets.

Aid for Trade can help countries to build climate resilient economies and to promote export diversification into green sectors in support of the SDGs and post-COVID-19 recovery efforts (UNEP, 2020). Aid for Trade can also help to promote the creation of climate-smart infrastructure and energy generation and to address the challenges of technology transfer and alignment of trade regulations to environmental objectives.

The various commitments to expand the provision of climate finance and Aid for Trade are reflected in the questionnaire. The commitments made by donors fall into the following broad categories (see Table 1 for details):

- commitments focused on specific sectors (i.e. infrastructure, renewable energy, agriculture, health, education);
- commitments to focus on private-sector engagement;
- commitments to offer preferential loan conditions for renewable energy projects and schemes in response to climate change;
- commitments to include environment, climate and energy objectives in future trade agreements;
- commitments to mobilize public and private investments.



Director-General Ngozi Okonjo-Iweala addresses world leaders and stakeholders at the United Nations COP26 Climate Summit, Glasgow, United Kingdom.

Box 1

OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change, 27 October 2021

Ahead of COP26, the OECD Development Assistance Committee (DAC) issued in October 2021 a declaration on aligning development co-operation with the goals of the Paris Agreement. The declaration commits DAC members to use ODA and to “mobilise other resources to help developing countries access more technical opportunities to enable and accelerate a clean, sustainable and just energy transition on voluntary and mutually-agreed terms.”

The declaration further states:

“We will prioritise support to technologies focused on accelerating progress towards net zero systems, in particular renewable energy and energy efficiency. We could also consider carbon capture, utilisation and storage. We all make the same commitment as the G7 commitment to end new ODA for unabated international thermal coal power generation by the end of 2021...

“We, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States further commit to limit our ODA investments in fossil fuels to when there are no economically or technically feasible clean energy alternatives; and are part of host country transition planning, consistent with Paris Agreement and NDC commitments. ODA may be used to support efficiency improvements of existing fossil fuel based power generation facilities, as well as their decommissioning and we will notify the DAC of intended activities. We also recognise that in limited contexts – such as emergency and humanitarian crises – where access to grid-based power is unavailable, fossil fuel based power may still warrant ODA support.

.....

“We will use blended finance and risk mitigation instruments to stimulate more climate-related private sector investment. Attracting more private domestic and international finance for climate action requires enabling policy frameworks and investment climates. We will work with developing countries to help them increase sustainable investment opportunities and strengthen the requisite enabling conditions. We have learnt from COVID-19 vaccine development that investing early and being prepared to finance risky – but critically important – innovation can yield substantial results, increase access to new technologies and incentivise countries to invest in new mechanisms. ODA and other official finance can play a critical role.”

Source: See <https://www.oecd.org/dac/development-assistance-committee/dac-declaration-climate-change-cop26.pdf>.

Table 1: Commitments to expand the provision of climate finance and Aid for Trade

Donors	Responses in questionnaire
Inter-American Development Bank	The IDB points to trade objectives addressing the environmental dimension of sustainable development (IDB, 2019)
Australia	Climate change strategy includes commitments on the sectors of infrastructure, renewable energy, agriculture, health and education, with a focus on private-sector engagement Commitment for climate finance for 2020-2025 increased to A\$ 2 billion
Canada	Climate action is a key area in Canada's sustainable development strategy Climate finance doubled to CA\$ 5.3 billion for 2021-2026
European Commission	The Neighbourhood, Development and International Cooperation Instrument – "Global Europe" covers EU cooperation with third countries (2021-2027) The new development strategy details EU strategies to protect the environment, manage natural resources and tackle climate change (European Union, 2018) The European Green Deal (European Commission, 2019a): (i) notes the important role of trade policy and the WTO in advancing ambitious environment, climate and energy objectives; and (ii) highlights specific measures that the European Commission will propose to make the Paris Agreement an essential element for all future comprehensive trade agreements
Republic of Korea	Korea International Cooperation Agency has adopted a strategy on climate action and energy Economic Development Cooperation Fund (EDCF) prioritizes projects on renewable energy and climate change responses, with preferential treatment for loan conditions Target is a 40 per cent increase in EDCF projects
Russian Federation	Committed to all 17 SDGs and to balancing all dimensions of sustainable development
United Kingdom	Through British Investment International (BII), priority is given to sustainable infrastructure investment in low and middle-income countries BII is to help developing countries to take advantage of clean technology and to grow economies sustainably
United States	Climate change strategy set the following high-level targets for USAID to achieve by 2030: ▪ mobilization of US\$ 150 billion in public and private climate finance by 2030 ▪ reduction, avoidance or sequestration of 6 billion tonnes of CO₂-equivalent through USAID activities ▪ climate resilience improvements for 500 million people

Inclusion of environmental objectives into sustainable development strategies to mitigate the effects of climate change

Policy-makers increasingly recognize the need to include environmental objectives into sustainable development strategies. This process has been underway for some time, but the mounting evidence of the challenges posed by the effects of climate change adds to the sense of urgency.

Responses to the M&E exercise highlight the different environmental objectives donors and recipients are integrating into development strategies to mitigate the effects of climate change (see Table 2 for details). Examples of the types of environmental objective donors and recipients are including in development strategies include the following:

- objectives which increase growth and reduce poverty to foster climate-resilient sectors and climate-proofed livelihoods;
- objectives which strengthen national and local capacities to improve climate and disaster management;
- objectives such as decarbonization, climate adaptation and mitigation and phasing out subsidies for environmentally harmful fossil fuels;
- objectives which foster the use of digital technologies for sustainable energy management.

“The mounting evidence of the challenges posed by the effects of climate change adds to the sense of urgency.”

Pumping groundwater with the energy generated from solar panels, Jagadhri, India.



Table 2: Inclusion of environmental objectives in sustainable development strategies to mitigate the effects of climate change

Regions and donors	Responses in questionnaire
Africa	
Democratic Republic of the Congo	Protection of the environment and combating climate change prioritized to achieve a green, low-carbon and climate resilient development model for all sectoral strategies
Mali	The adaptive capacity of populations, ecology and economy to be improved to mitigate the effects of climate change
Mauritius	By 2030, 60 per cent of energy needs will be from renewable sources
Zambia	Domestic reforms to achieve environmental objectives to be supported by international assistance
Asia and the Pacific	
Bangladesh	Climate change issues to be addressed through SDG implementation
Fiji	Strategy to decarbonize the economy
Philippines	Strengthening national and local capacities to improve climate and disaster management
Latin America and the Caribbean	
Peru	Focus on decarbonization and climate adaptation
Donors	
Asian Development Bank	Central goals in project development to be achieved through sustainable and nature-based solutions: ▪ climate change mitigation ▪ ocean health ▪ disaster resilience Strategy 2030 (ADB, 2019a) to scale up support: ▪ to address climate change, disaster risks and environmental degradation ▪ to accelerate low GHG emission development ▪ to ensure a comprehensive approach to building climate and disaster resilience and increasing focus on the water–food–energy nexus
Australia	Climate change strategy commits to integrating climate change action across all development assistance programmes
Canada	Strategy is to support developing countries' efforts to transition to low-carbon, environmentally sustainable and climate-resilient economies and societies through initiatives that: ▪ reduce global greenhouse gas emissions ▪ improve climate resilience ▪ protect and sustainably manage natural resources and ecosystems
European Bank for Reconstruction and Development	The EBRD "will support the acceleration of the transition to a green, low-carbon and resilient economy by (EBRD, 2020a): ▪ aligning its activities with the principles of international climate agreements, ... ▪ enhancing policy engagement for the development of long-term low carbon strategies... ▪ scaling up investment by innovating across ... thematic areas such as green digital solutions, just transition, circular economy, natural capital and green value chain financing"
European Union	The Neighbourhood, Development and International Cooperation Instrument – "Global Europe" addresses: ▪ phasing-out subsidies for environmentally harmful fossil fuels ▪ stable and transparent energy markets ▪ deployment of smart grids ▪ use of digital technologies for sustainable energy management

Inclusion of environmental objectives into sustainable development strategies to integrate SDGs

Although climate change is a catalyst for action, the focus on environmental objectives goes beyond global warming. As shown in Figure 1, most responses in the questionnaire indicate that sustainable development strategies explicitly target SDGs 7 (affordable and clean energy), 12 (responsible consumption and production) and 13 (climate action). This approach aligns with the recommendations of the upcoming Sixth Assessment Report of the IPCC, which urges major action in the energy sector and a transformation of production and consumption practices.

SDGs are being integrated into sustainable development strategies in the following ways:

- by including goals and indicators that target the 2030 Agenda for Sustainable Development (United Nations, 2015);
- by including targets and provisions to fulfil the goals of the Paris Agreement;
- by including specific references to SDGs.

Of the 53 developing countries which responded to the questionnaire, 51 (96 per cent) include environmental sustainability as a priority in their development strategies. All responses from small island developing states (SIDS) and 27 of the 29 (93 per cent) responses from least-developed countries (LDCs) indicate that environmental objectives are a key priority in their sustainable development strategies. At a regional level, environmental objectives are highlighted as a key priority by all responses from Africa and Latin America and the Caribbean.

Various responses in the questionnaire also indicate that environmental considerations are included as a focus area in their COVID-19 pandemic recovery strategies (see Table 3 for details).

Figure 1: Percentage of Aid for Trade participants with sustainable development strategies which explicitly target SDGs, by respondent category

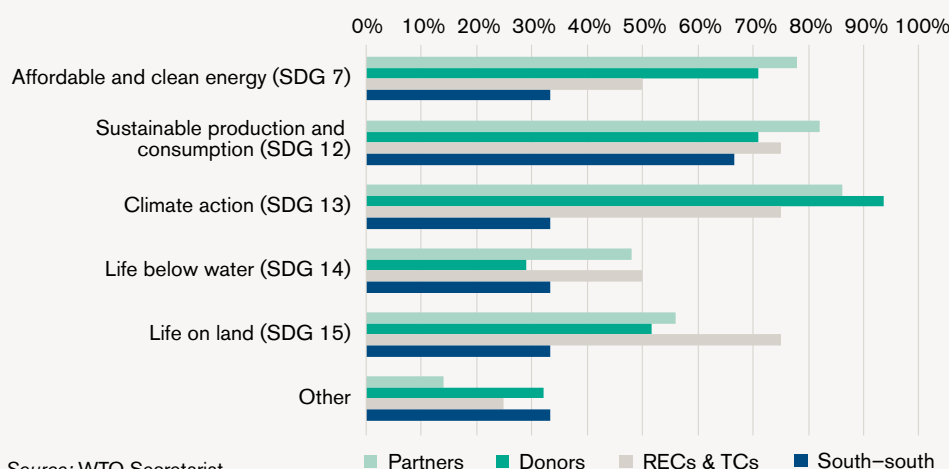


Table 3: Inclusion of environmental objectives to integrate SDGs in sustainable development strategies

Regions and donors	Responses in questionnaire
Africa	
Benin	SDGs specifically referenced: - to accelerate structural transformation - to enhance total factor productivity - to improve value chain integration - to strengthen the prospects of agricultural sector
Guinea-Bissau	Strategy promotes the sustainable management of natural capital through the establishment of a regulatory and institutional framework for sustainable development, biodiversity and the dual management of ecosystems
Mali	Environmental dimension of sustainable development considered in all aspects of the design, planning, implementation and monitoring of development policies
Mauritius	Strategy highlights sustainability and a green transition as key
Zambia	Economic recovery programme seeks to kickstart the economy towards a development path that emphasises sustainability in a stabilized monetary, external and fiscal environment
Asia and the Pacific	
Bangladesh	Strategy lays out holistic and cross-sectoral actions to improve productivity and to minimize disasters in densely populated regions
Fiji	Targets and provisions to fulfil the goals of the Paris Agreement and the 2030 Agenda for Sustainable Development (United Nations, 2015)
Nepal	Strategy lists environmental concerns as a key issue
Papua New Guinea	All sectoral plans reference sustainable development objectives
Philippines	Strategy contains a specific chapter on the environment, mentioning issues such as air pollution, infectious waste materials and urban agriculture
Sri Lanka	Strategy integrates sustainable development across the three pillars
Latin America and the Caribbean	
Colombia	Strategies incorporates SDGs
Paraguay	Strategy goals and indicators target the 2030 Agenda for Sustainable Development (United Nations, 2015) Establishment of an SDG commission
Peru	Strategy is to manage land in a sustainable manner to prevent and reduce risks and threats affecting livelihoods
Donors	
Republic of Korea	Korean International Corporation Agency has stringent social and environmental impact assessments for project development implementation

Barriers to the inclusion of environmental objectives into sustainable development strategies

Based on the responses in the questionnaire, some of the key barriers developing countries face when trying to include environmental objectives in sustainable development strategies are the following:

- a lack of access to finance;
- a lack of data measurement infrastructure;
- a lack of institutional capacity to refine environment–development linkages;
- a lack of technology transfer options.

Fiscal pressures caused by the COVID-19 pandemic create additional barriers to the transition to sustainable development (see Table 4 for details). Emerging research reveals that financial access may have been particularly affected. Projections by the United Nations Environment Programme (UNEP) indicate a significant reduction in new, greenfield, low-carbon projects (e.g. renewable energy)

for the foreseeable future, and this will be in both developed and emerging markets (UNDP/UNEP, 2020).



The photovoltaic farm covers an area of 20,000 m² and comprises 5,900 panels, Henrietta, Mauritius.

Table 4: Barriers to the inclusion of environment issues in policy frameworks

Regions	Responses in questionnaire
Africa	
Benin	A lack of environmental data seen as an obstacle in developing sustainable development strategies
Democratic Republic of the Congo	A lack of funding and scientific knowledge about the expected effects of climate change impeding the implementation of necessary sustainability projects A lack of finance poses difficulties in acquiring modern sustainability infrastructure
Madagascar	Establishing infrastructure such as renewable energy systems is especially expensive
Mali	COVID-19 pandemic has contributed to an economic contraction, affecting the ability to mobilize the domestic resources necessary and jeopardizing progress towards fulfilling the SDGs
Latin America and the Caribbean	
Colombia	Aid for Trade, foreign direct investment and international cooperation can help to allay technology transfer issues by harnessing domestic technological capacity building
Paraguay	Existing commitments (e.g. tax incentives for investment promotion) place financial constraints that restrict public policies to promote a low-carbon transition

Integration of trade objectives into sustainable development strategies of developing countries

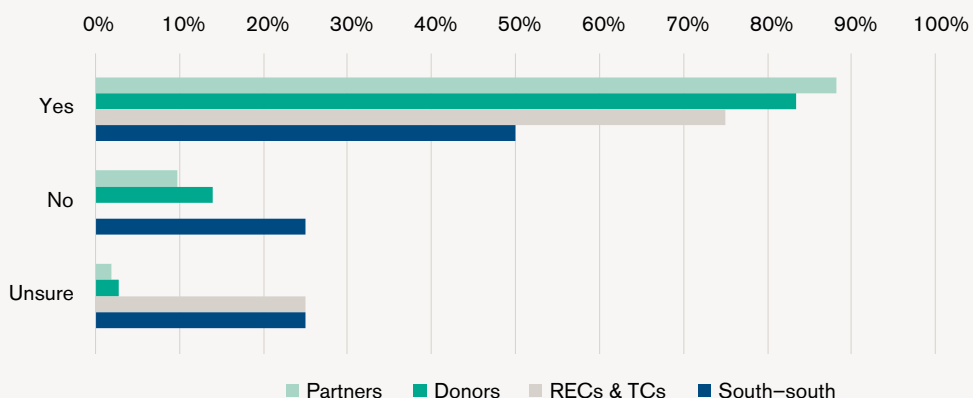
The 2030 Agenda for Sustainable Development (United Nations, 2015) considers international trade as “an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development”. It explicitly identifies trade as one of the main drivers for SDG implementation. Trade has also been recognized as an important variable for the environmental dimension of sustainable development.

“The 2030 Agenda for Sustainable Development identifies trade as one of the main drivers for SDG implementation.”

In a joint publication, the WTO and the UNEP identify trade as a key facilitator in the creation and expansion of markets for sustainable products and note that “trade can accelerate the diffusion of environmental goods and services to those places where they are most needed and help stimulate productive local capacity” (WTO/ UNEP, 2018). The report also identifies trade as a key facilitator in the creation and expansion of markets for sustainable products.

The M&E exercise illustrates that progress is being made in integrating trade into sustainable development policies and objectives. Of the 51 developing countries that responded to the questionnaire, 45 indicate that their national sustainable development strategies, policies or plans included trade objectives (see Figure 2 and Box 2).

Figure 2: Percentage of Aid for Trade participants with sustainable development strategies which include trade objectives



Source: WTO Secretariat.

Box 2

World Bank perspectives on the interface of trade policy and climate change

Since trade and global value chains play a major role in driving land use change and utilization of renewable natural resources, exporting and importing countries both need to align their trade policies with sustainable domestic policies. New opportunities will open-up for developing countries in trade as the world adapts to climate change.

While trade contributes to climate change, it can also be a central part of the solution through facilitating mitigation and adaptation. Global trade in environmental goods and services already stands at US\$ 1 trillion and is growing. Freer trade during times of crises induced by climate change crises can help to deliver essential goods to disaster-affected areas and support recovery.

A host of policy measures that can be taken includes:

- Reducing trade costs at the border to promote trade and lowering tariffs and non-tariff barriers on imports embodied with new technologies can drive productivity growth and adaptation.
- Identifying and developing carbon competitive goods and services that can drive the shift away from reliance on comparative advantages vulnerable to climate change.
- Global and regional integration agreements to develop common environmental goods and services standards and to address challenges with cross-border impacts (e.g. deforestation).
- Supporting green, resilient and inclusive development through trade reforms that reduce the current bias toward carbon intensive upstream goods. They can also support green trade liberalization by focusing on goods and services of priority interest to developing country exporters.
- Countries reviewing trade-related measures, such as intellectual property rights, that may restrict the diffusion of clean technologies to developing countries.

It is essential for developing countries to understanding the risks and opportunities for their trade and development strategies in mitigating the effects of climate change. Focused country studies are a useful way to provide a step towards a broader dialogue on ways to increase capacities and to identify opportunities for carbon mitigation to increase competitiveness in a climate-constrained world.

They are also critical to understand the investments in carbon measurement necessary to verify carbon competitiveness. Studies will also enable trade policy and trade facilitation reforms that will support adaptation and access to essential technologies and techniques.



Timber depot near Kinshasa, Democratic Republic of the Congo.

Partner responses in the questionnaire link trade and sustainable development, particularly among countries dependent on forestry, fisheries and agriculture exports (see Table 5 for details). In general, the questionnaire reveals the following:

- Three out of the four responses from regional respondents indicate the presence of trade objectives in their sustainable development strategies.
- Responses from landlocked developing countries also point to trade objectives in domestic sustainability frameworks.
- Responses from Africa (92 per cent) and Asia and the Pacific (78 per cent) indicate the inclusion of trade objectives in their sustainable development strategies.

Table 5: Integration of trade objectives into the sustainable development strategies of developing countries

Regions	Responses in questionnaire
Africa	
Democratic Republic of the Congo	National Forest Fund finances reforestation and conducts studies to promote the sustainability and legality of the timber trade with European markets
Senegal	Sustainable trade practices pursued in the development of export channels for wood, charcoal, wild harvest and agricultural and pastoral products
Zambia	Many policy interventions focus on reversing the unsustainable utilization of natural resources, including through trade
Latin America and the Caribbean	
Saint Lucia	National plan, launched in 2018, aims to address critical risks and development priorities relating to climate change in an integrated and coordinated manner Trade features prominently in the context of tourism Interventions call for the creation of a carbon offset mechanisms to negate emissions incurred during inbound and outbound air travel, with funds collected through this programme used to fund local reforestation or renewable energy initiatives

Integration of environmental objectives into trade strategies

Responses in the questionnaire indicate that Aid for Trade stakeholders recognize the importance of including an environmental perspective into trade strategies and objectives:

- 35 developing countries report that their trade objectives address the environmental dimension of sustainable development;
- 23 developing countries report that government strategies, policies and objectives on sustainable development are underpinned by extensive coordination and dialogue;
- 22 donors report that their dialogue with developing countries address the environmental dimension of sustainable development.

Responses to the M&E exercise also indicate that the export strategies of developing countries reflect their environmental concerns and focus on the interactions between environmental concerns, sustainable development and trade

objectives (see Table 6 for details). Example strategies developing countries gave in their responses include:

- encouraging domestic firms to acquire environment-related international standards that improve sustainability and increase export competitiveness;
- promoting environmentally responsible and ethical business behaviour among all actors in the export value chain;
- establishing systematic coordination mechanisms to support sustainable development;
- including trade issues in dialogues;
- establishing cross-ministerial coordination and implementation committees.

Tapping geothermal energy from depths of 2 km will help towards climate change mitigation goals, Muara Laboh, Indonesia.



Table 6: Integration of the environmental objections into trade strategies

Regions and donors	Responses in questionnaire
Africa	
Madagascar	Sustainable development objectives are prioritized in the National Green Export Review, which primarily examines coffee and legumes value chains
Mali	Trade policy considers the environmental dimension in its overall objective, of creating an environment conducive to the development of trade, with a view to its contribution to sustainable economic growth and poverty reduction
Mauritius, Zambia	A cross-ministerial coordination and implementation committee exists
Asia and the Pacific	
Bangladesh	Export policy encourages domestic firms to acquire environment-related international standards that improve sustainability and increase export competitiveness
Fiji	Environmental objectives are integrated into trade policies
Nepal	One of the guiding principles of the trade policy is to ensure sustainable development and environmental protection and consistency with environmental objectives, including conformity with multilateral environmental agreements such as the Convention on International Trade in Endangered Species (CITES) and the Montreal Protocol
Pakistan	Trade policy refers to the importance of environmental sustainability A cross-ministerial coordination and implementation committee exists
Papua New Guinea	Trade policy devotes a chapter to highlighting interlinkages between trade and sustainable development objective to enforce environmental laws in a trade context
Latin America and the Caribbean	
Guatemala	Committee for trade and sustainable development functions as the central agency that examines the intersections between environmental commitments and trade
Peru	Export policy seeks to promote environmentally responsible and ethical business behaviour among all actors in the export value chain Export policy promotes the development of a competitive and sustainable export portfolio by: - managing international standards for exportable supply - developing export capacity for biodiversity products - promoting sustainability in the development of an exportable supply Export policy minimizes the use of resources and conserves the quality of soil, air and water, while simultaneously ensuring export competitiveness
Donors	
Inter-American Development Bank	Integration and Trade Sector Framework points to trade objectives addressing the environmental dimension (IDB, 2019) Annual Regional Policy Dialogue held in 2021 focused on the environmental considerations in the trade agenda of Latin America and the Caribbean, and members discussed the trade policy measures taken to advance public policy objectives on the environment and climate change

Integration of environmental and trade objectives into Aid for Trade donor strategies

Responses in the questionnaire indicate that environmental objectives are included in sustainable development and Aid for Trade donor strategies:

- SDG 13 (climate action) is explicitly targeted in the development strategies of 22 donors;
- SDGs 7 (affordable and clean energy) and 12 (responsible consumption and production) are goals in the development endeavours of 22 donors.

Responses in the questionnaire indicate that the trade objectives of 36 donors form part of their sustainable development strategy policy (see Table 7 for details). Examples include calls for the following:

- cross-border trade that helps to promote sustainable development (particularly in agriculture and food sectors);
- sustainable use of ecosystem services and natural resources;
- transparent and effective regulations for investments and trade in natural resources;
- incorporation of sustainability principles in trade agreements;
- construction and maintenance of socially and environmentally sustainable infrastructure;
- sustainability-centric clauses and priorities embedded into trade objectives.

Oyster farming monitors the temperature and water that prompts spawning and fertilization that speeds up the maturity of the oysters, near Fiji.





Preparing carrots for market, Chimaltenango, Guatemala.

Table 7: Integration of environmental and trade objectives into Aid for Trade donor strategies

Donors	Responses in questionnaire
Asian Development Bank	Critical institutional objectives include (ADB, 2019a): ▪ mitigating climate change ▪ building climate and disaster resilience ▪ enhancing environmental sustainability Sustainability-centric clauses and priorities are embedded into the Trade and Supply Chain Finance Program
Canada	Development strategy calls for the incorporation of sustainability objectives in free trade agreements
European Union	Programmes include: ▪ preventing illicit wildlife trade ▪ reducing emissions from deforestation and forest degradation ▪ voluntary partnership agreements to address illegal logging and the illicit trade of timber products The European Green Deal (European Commission, 2019a): ▪ outlines the aim to make the Paris Agreement an essential element for all future comprehensive trade agreements ▪ highlights the important role of trade policy and the WTO in advancing ambitious environment, climate and energy objectives
Germany	Aid for Trade strategy prioritizes the SDGs to achieve sustainable trade
Inter-American Development Bank	Integration and Trade Sector Framework prioritizes the construction and maintenance of socially and environmentally sustainable infrastructure (IDB, 2019)
Sweden	Development policy calls for sustainable use of ecosystem services and natural resources, including transparent and effective regulations for investments and trade in natural resources
Switzerland	Transparency and sustainability principles (especially environmental) form key pillars of implementing OECD-FAO <i>Guidance for Responsible Agricultural Supply Chains</i> (OECD/FAO, 2016)
World Bank	The World Bank seeks to support countries and private-sector clients by maximizing the impact of climate finance while providing improvements in adaptation and resilience and reductions in GHG emissions (World Bank, 2021a)

Inclusion of gender equality and women's economic empowerment into sustainable development strategies

Responses in the questionnaire include 42 developing countries and 28 donors, which indicate that existing policies that address the environmental dimension of sustainable development also promote gender equality and women's economic empowerment (see Table 8 for details). Example strategies include:

- integrating gender equality and women's economic empowerment into environmental objectives;
- requiring gender assessments and action plans at the project level;
- including gender equality in policies and standards;
- prioritizing women's economic empowerment in budgeting processes.

There is a discernible trend to greater scrutiny of the "quality" of the development that is being promoted and to the sustainability of supply chains, notably on the part of bilateral donors. One prominent aspect of this process is that concerted efforts are being made by developing countries and their financing partners to integrate women's economic empowerment objectives into climate-related financing programmes.

"Concerted efforts are being made to integrate women's economic empowerment objectives into climate-related financing programmes."

Women-owned cooperative processing grains, Guéchémé, Niger.



Table 8: Inclusion of gender equality and women's economic empowerment into sustainable development strategies

Regions and donors	Responses in questionnaire
Africa	
Madagascar	Implements investment compatibility assessments for environmental issues, with gender considerations part of the process
Equatorial Guinea	Development strategy refers to women's economic empowerment and sustainability
Mali	Environment and employment strategies outline women's economic empowerment and sustainability objectives
Asia and the Pacific	
Indonesia	Employs gender responsive climate budget tagging to prioritize women empowerment in the budgeting process
Latin America and the Caribbean	
Colombia	Ratified its commitments to the United Nations Framework Convention on Climate Change to achieve gender mainstreaming at all levels of climate change management in accordance with decision 20 of COP26 "Gender and Climate Change"
Guatemala	Committee for trade and sustainable development functions as the central agency that examines the intersections between environmental commitments and trade
Peru	Environment strategy adopts gender and intercultural priorities in climate change objectives
Donors	
Asian Development Bank	Manages the Australian Climate Finance Partnership, which promotes gender equality and better economic opportunities for women and girls
Australia	Conducts Aid for Trade activities that combine women's economic empowerment and environmental objectives: ▪ Pacific Horticulture and Agricultural Market Access Plus Programme ▪ Australian Climate Finance Partnership
Canada	Helped steer an update to gender policy at the Green Climate Fund (GCF, 2019), which requires gender assessments and gender action at the project level
European Union	Women's economic empowerment and environmental sustainability have been mainstreamed in all EU actions
Germany	Development strategy seeks to make global supply chains responsive to gender and ecological sustainability (BMZ, 2016)
Inter-American Development Bank	Of projects approved in 2021: ▪ 70 per cent included one or more components to tackle climate change ▪ 75 per cent addressed gender issues
Norway	Development strategy sets the framework for international gender equality efforts, with a new action plan in progress
Sweden	Supports the International Organization for Standardization in its development of voluntary standards that integrate both environmental and gender dimensions and develop gender inclusive standards
United Nations Industrial Development Organization	The global programme Economic Empowerment of Women in Green Industry (UNIDO, 2021) conducts national studies to help policy-makers and practitioners to establish frameworks that integrate gender into green industry policies
United States	The USAID template <i>Initial Environmental Examination</i> provides additional information on how its mandatory environmental compliance processes incorporate gender issues

Inclusion of circular economy objectives into development strategies

A total of 23 developing country respondents (including 10 LDCs) signal they have circular economy strategies, policies or objectives in their national development framework (see Table 9 for details). In addition, 22 donors, two regional economic communities or transport corridors and one south–south partner also indicate circular economy objectives. Examples of initiatives included:

- the African Circular Economy Alliance, which is a government-led coalition of African to promote the adoption of circular economy practices across the continent, focusing on

food systems, plastics and packaging, electronics, fashion and textiles and the built environment.

- the Pacific Regional Infrastructure Facility, which supports the development of a regional resource circulation and recycling network through resource recovery from solid waste streams of Pacific Island economies.

An analysis of responses in the questionnaire shows that most aid for trade stakeholders associate circular economy practices with waste management.

Table 9: Inclusion of circular economy objectives into development strategies

Regions and donors	Responses in questionnaire
Africa	
Côte d'Ivoire	Waste recycling and waste-water recovery policies pursue circular economy objectives
Asia and the Pacific	
Philippines	Solid waste management policies such as the Ecological Solid Waste Management Act of 2000, Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and sustainable public procurement promote circular economy practices
Donors	
Asian Development Bank	The ADB is developing a circular economy framework to support investment and technical assistance activities
Australia	Projects support collaborations with the private sector and entrepreneurs to develop innovative solutions to increase resource efficiency
Canada	Projects to support collaborations with the private sector and entrepreneurs to promote the circular economy in the use of plastics and plastic products
European Union	Adoption of its circular economy action plan
Netherlands	Development strategy and the Aid for Trade circular economy objectives are in line with the Government's roadmap to a circular economy by 2050 Member of the Platform for Accelerating the Circular Economy
United Nations Industrial Development Organization	Supports the circular economy (UNIDO, 2019), including through the Global Alliance on Circular Economy and Resource Efficiency and work of its Industrial Resource Efficiency Division

Transition to a sustainable economy

The transition to low-carbon growth and environmentally sustainable production processes will likely have wide-ranging trade impacts. The transformation will promote a shift in demand patterns, whereby many goods and resources (e.g. minerals and rare earths necessary for the energy transition) will be in greater demand, including for recycled materials, and others will experience a decline (e.g. hydrocarbons). It will also pave the way for accelerated business transformations that place greater priority on supply chain scrutiny, standards compliance and circular economy principles.

Responses in the questionnaire reveal stakeholders' perspectives on how the transition to sustainable development might impact them at a sectoral level, both in terms of opportunities and challenges (see Table 10 for details).

Sectoral dependency

For some developing countries, these changing patterns of global demand are a cause for concern given their dependence on a narrow

export basket. WTO statistics indicate that primary products involving mining and agricultural activities account for nearly half of all LDC exports. High product concentration in sectors sensitive to environmental risks exposes LDCs to export volatilities caused by climate change impacts and the transition to low carbon growth (see Figure 3).

Other small economies (e.g. those in the SIDS category) also face similar challenges, and not only on the export side. For instance, Saint Lucia notes that it was fully dependent on fossil fuel imports for its energy needs. Its annual energy import bill, estimated at US\$ 513.9 million, is equivalent to 23.9 per cent of aggregate imports. In this context, a green transition would both reduce fossil fuel dependency and help alleviate balance of payment pressures.

In total, 51 of the 53 partners (96 per cent), 30 of the 31 donors (97 per cent) and more than 95 per cent of responses from Africa, Asia and the Pacific, and Latin America and the Caribbean indicate that agriculture has high economic and export diversification potential arising from a transition to sustainable development (see Figure 4).

Figure 3: Dependence of least-developed countries on a narrow export basket

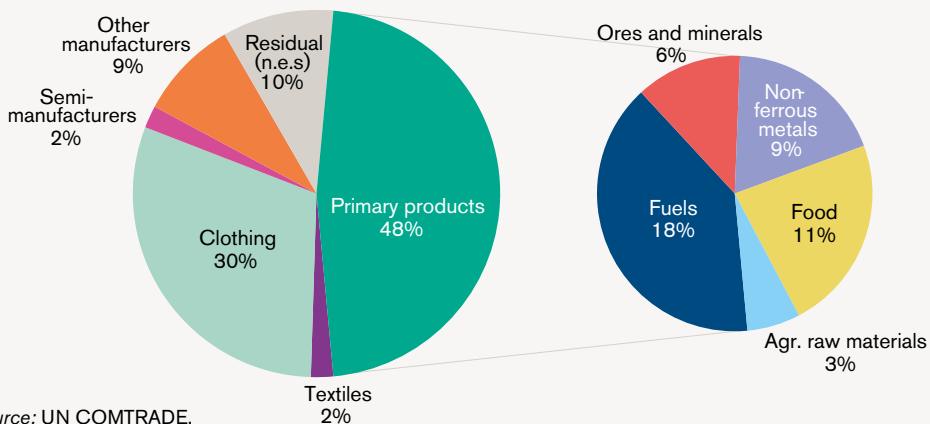
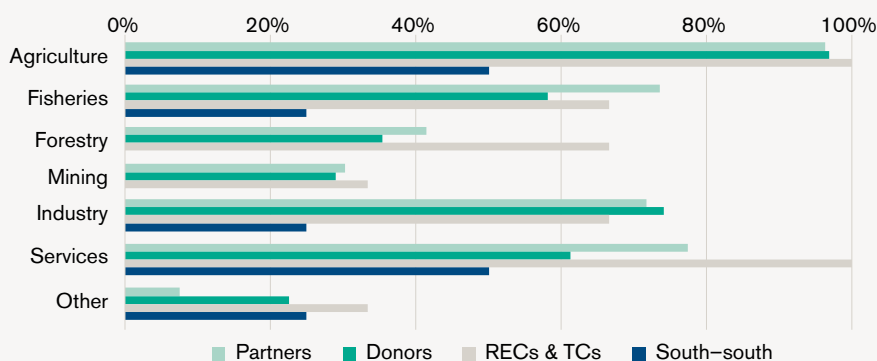


Figure 4: Sectors expected to benefit from a transition to sustainable development, by respondent category



Source: WTO Secretariat.

Partner perceptions of sectoral opportunities align with their factor endowments. For instance, the Democratic Republic of the Congo notes that harnessing sustainable agricultural practices yields national benefits due to the vast quantities of arable land and its favourable climate. Such assets are expected to help to boost agricultural production and to provide several benefits in the context of economic diversification.

Yemen notes that the agricultural sector is key for sustainable development, as it was the largest employer. Similar sentiments are echoed by Zambia, which signals the need to support this sector to guarantee economic prospects, food supplies and enhance sectoral export potential. To promote sustainable agriculture and export diversification in Equatorial Guinea, the Enhanced Integrated Framework (EIF) has financed an Aid for Trade project (see Box 3).

Box 3

Promoting sustainable agriculture and export diversification in Equatorial Guinea

The three-year project is worth around US\$ 1.4 million and is spearheaded by the United Nations Development Programme (UNDP) and the ministry of commerce, supported by the ministry of agriculture. Coordinated with the EIF, the project is to expand the productive capacity of Equatorial Guinea by applying sustainable agroecological production methods and post-harvest innovations by:

- introducing innovative systems and enabling the transfer of technologies in production and trading systems of selected sectors (animal, vegetable);
- promoting secure income channels through strengthened agricultural value chains and an inclusive and participatory approach to learning.

The project will directly benefit more than 300 agro-entrepreneurs, which will be divided into ten groups of 30 people (women, youth, mixed) and 25 technicians, together with government officials.



Owner of the Lady Edwina fishing company, Apia fish market, Samoa.

Fisheries and tourism sectors

Fisheries and tourism sectors also emerge as an area for sustainable development. The responses of all nine SIDS highlight the importance of the economic and export diversification potential of these sectors in the transition to sustainable development, which included the following:

- pursuing sustainability principles to conserve fish stocks and allow for a sustained flow of fish exports;
- creating a sustainable blue economy, in which economic growth is promoted while ensuring the sustainability of marine resources;
- developing eco-tourism as a tool to mitigate biodiversity loss;
- diversifying into other service sectors to ensure resilience and growth.

Responses to the questionnaire indicate that many donors have increased their activities to support a transition to sustainable development. Recent initiatives led by Australia, together with countries in the Pacific, regional organizations and multilateral development banks, have focused on the sustainability of fish stocks. The aim is to ensure long-term income streams and to improve market access.

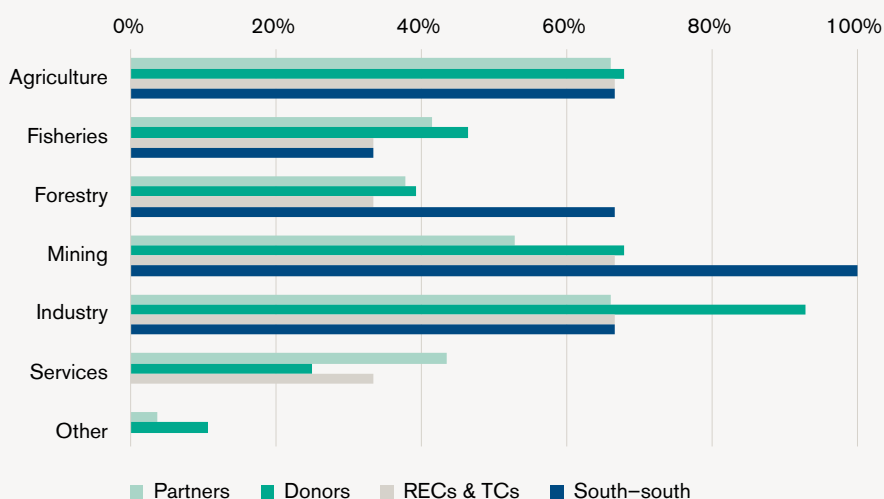
Agriculture and industry sectors

There is growing awareness of the trade opportunities and risks at play during the transition to sustainable development. Agriculture is one sector that stands to benefit from the move and enjoys economic and export diversification potential in the views of respondents. In contrast, achieving sustainable industrialization is recognized by all respondents as a more challenging task (see Figure 5).

Developing country perceptions are influenced by existing comparative advantages and trade footprints. Of the developing country respondents, 30 indicate the agriculture and industry sectors face the greatest challenge in transitioning to sustainable development. They highlight that:

- small-scale farmers may struggle to comply with new agricultural regulations introduced by export destinations such as the EU market (see Box 4);
- environmental impact studies for large mining operations and industrial investments may need to be reworked to comply with new requirements;
- domestic economies which rely heavily on one sector (e.g. mining in Zambia) can face detrimental societal effects if export volumes contract;
- finding investment for the transition to sustainable development is burdensome on public finances.

Figure 5: Economic sectors facing the greatest challenge from the transition to sustainable development, by respondent category



Source: WTO Secretariat.

Box 4

Farm to Fork measures in Peru

Peru expects Farm to Fork measures established in the European Union to reduce export volumes. The EU market represents 55.7 per cent of Peru's total agricultural exports. The Farm to Fork measures present particular challenges for Peruvian companies and supply chains not sufficiently acquainted with the new product requirements.

Given that nearly 97 per cent of the agricultural work force in Peru is small-scale family farms, there will be a negative impact on development.

A cacao farmer in Peru inspects the quality of the pod.



Table 10: Sector-specific challenges with the transition to sustainable development

Regions and donors	Responses in questionnaire
Africa	
Comoros	Development plan is the creation of a sustainable blue economy and to develop eco-tourism as a tool to mitigate biodiversity loss
Equatorial Guinea	Finding investment for the transition to sustainable development is proving to be a challenge due to depleted public finances post-COVID
Madagascar	Environmental impact studies for large mining operations and industrial investments need to be reworked to comply with new requirements
Mauritius	Pursuing sustainability principles can aid in the conservation of resources and allow for a sustained flow of fish exports
Saint Lucia	Although tourism plays an important role, diversifying into other service sectors is key to ensuring resilience and growth (e.g. IT and other professional services) Transition to sustainable development in the industrial sector hindered by the lack of capital to retrofit plants and re-engineer manufacturing processes Lack of technological know-how and expertise, particular among micro, small and medium-sized enterprises (representing 80 per cent of the business community)
Zambia	Contraction in mining exports would pose societal effects as the sector contributes substantially to the domestic economy
Latin America and the Caribbean	
Guatemala	Lack of knowledge of new requirements for the EU market (e.g. restricted pesticides) poses challenges to export potential if left unaddressed
Peru	Companies and supply chains are not sufficiently acquainted with the new product requirements for the EU market
Donors	
Australia	Working with countries in the Pacific, regional organizations, and multilateral development banks to ensure fish stock sustainability, create long-term income streams and improve market access Fisheries sector primarily supported through partnerships with the Pacific Community and the Pacific Islands Forum Fisheries Agency
International Trade Centre	GreenToCompete strategy supports micro, small and medium-sized enterprises in the green economic transition Work on resource efficiency and circular production has helped more than 400 companies to improve their environmental footprint



EXPERT OPINION

Going GreenToCompete

By Sarah Mohan, Associate Programme Officer,
and Barbara Ramos, Chief Research and Strategies for Exports, ITC

Climate change impacts follow an inequitable path. Micro, small and medium-sized enterprises (MSMEs) in developing countries face physical climate threats, such as extreme weather events. They will also be at the receiving end of measures being negotiated to counter the damage of a warming planet. Governments are designing regulations to reduce emissions. Lead buyers are seeking suppliers with climate credentials (Lund *et al.*, 2020). Climate-related trade policies could eventually affect developing country exports.*

In this context, many MSMEs perceive environmental change as a competitiveness risk. On average, 68 per cent of the companies interviewed for the International Trade Centre (ITC) SME Competitiveness Surveys in sub-Saharan Africa cited significant physical environmental risks to their businesses, higher than the 54 per cent in developed countries that said the same (AXA Group and UNEP, 2015; ITC, 2019). Policy was also a concern, with a quarter of MSMEs perceiving environmental regulation as an obstacle to their business.

Although many MSMEs are concerned about the consequences of a changing climate, most have not yet invested in measures to prepare for it. Sixty per cent of large firms reported that they had invested in at least one measure to reduce exposure to environmental risks, according to ITC data. In comparison, just 38 per cent of MSMEs had done so.

ITC is working to put MSMEs on the winning side of the balance sheet of the planet's future. GreenToCompete is ITC's strategy to support MSMEs in developing countries in leveraging trade for a green transition. With a focus on climate change, circularity and biodiversity, GreenToCompete supports countries at three levels: the firm, business ecosystem and policy.

First, ITC enables MSMEs to compete through business practices and green finance that grow solutions to environmental challenges. Second, ITC collaborates with business ecosystem stakeholders, including market partners, to unlock the services and connections that MSMEs require to realize green business opportunities. Finally, ITC support builds the capacity of stakeholders in developing countries to advocate for MSME interests in climate policy frameworks.

ITC's Climate Competitiveness Assessment Tool, resource efficiency and circular economy coaching, and Standards Map, among others, are helping MSMEs augment their climate competitiveness. By placing MSMEs at the core of a green transition, it is possible both to address the climate crisis and to build the competitiveness of the businesses on which much of the global population depends.

* These measures, known as border carbon adjustments, have to date excluded most relevant sectors for MSMEs in developing countries. However, there may be long-term implications for developing countries and MSMEs within them (see UNEP/WTO (2009) and <https://intracen.org/news-and-events/events/demystifying-the-eus-carbon-policies-and-impact-on-trade>).

Financing environmental objectives in trade and sustainable development strategies

Climate finance

Climate finance is increasingly intertwined with Aid for Trade financing, notably in the area of renewable energy infrastructure. Energy poverty is a critical supply side constraint for many developing countries and one of many points of intersection between Aid for Trade and climate finance.

Engagement between the public and private sector to help to finance the transition to a low-carbon economy is on the rise. This is an area where Aid for Trade, and various key stakeholders, can play a catalytic role by helping to mobilize finance for green supply-side infrastructure and by supporting the private sector to take advantage of opportunities in the low-carbon economy.

Mobilizing the private sector

Private climate finance is a target area for growth as identified in the *Glasgow Climate Pact*³, which “calls upon multilateral development banks, other financial institutions and the private sector to enhance finance mobilization in order to deliver the scale of resources needed to achieve climate plans, particularly for adaptation”.

“COP26 highlights an increasing focus on engaging the private sector as an actor to attain net zero targets and to mobilize finance.”

COP26 also highlighted an increasing focus on engaging the private sector as an actor to attain net zero targets and to mobilize finance to achieve these goals, through initiatives such as the Glasgow Financial Alliance for Net Zero, which comprises over 450 firms in 45 countries that control US\$ 130 trillion in assets. It commits signatories to set robust, science-based near-term climate change targets.

Various outcomes agreed at COP26 involve private-sector commitments, and other initiatives include:

- the Global Energy Alliance for People and Planet, led by the Rockefeller Foundation, which aims to extend clean productive-use energy to 1 billion underserved people;
- the Climate Finance Partnership Fund, run by BlackRock, which actively seeks to engage the private sector;
- over 30 financial institutions with US\$ 8.7 trillion of global assets, which have committed to eliminating investment in activities linked to deforestation;
- six major vehicle manufacturers and over 30 countries agreed to hasten the decarbonization of road transport through a global shift to zero-emission vehicles by 2040.

According to the Climate Policy Initiative (Macquarie *et al.*, 2020), private-sector climate-related activities are most common in:

- renewable energy investment (mainly on-shore wind and solar photovoltaic, but also geothermal, modern biomass, small hydroelectricity and biofuels to a lesser extent);
- energy efficiency investment (energy saving investment for housing, buildings, transport and industry);
- waste management.

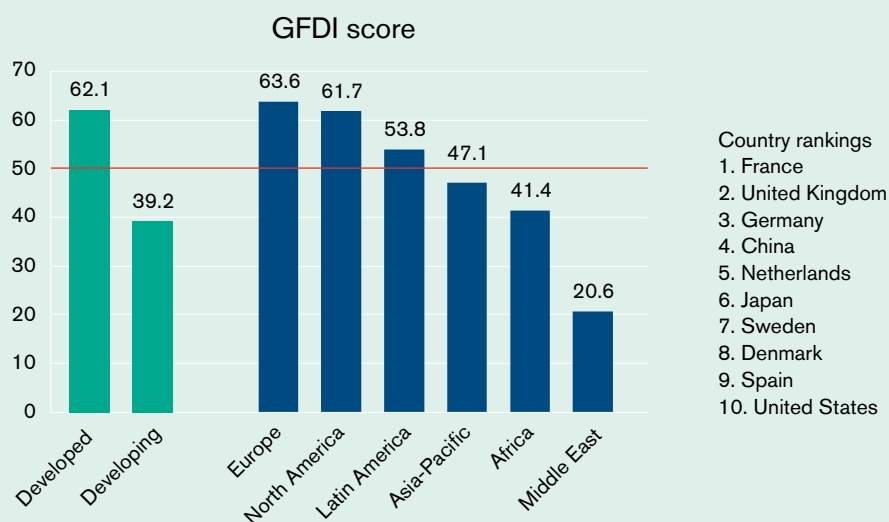
Global green finance development index

The global green finance development index (GFDI), jointly developed by the International Finance Forum (IFF) and the International Institute of Green Finance (IIGF) of the Central

University of Finance and Economics, Beijing, is a quantitative measure of progress focusing on three areas: policy and strategy; product and market; and international cooperation. It aims to provide consistent information on the global development of green finance (see Box 5).

Box 5

Global green finance development index and country rankings



The results show that the development of green finance is uneven, with an average GFDI of 50 for the 55 countries surveyed (see red line), and is highest for developed countries and the regions of Europe and North America.

The IFF points to a number of issues and challenges in global green finance development, as well as some possible solutions, including:

- putting in place an effective policy framework;
- promoting financial innovation to develop more diversified green finance products and services;
- promoting harmonization in definitions and disclosure standards;
- strengthening international cooperation in developing green finance.

Source: IFF (2021).

The International Finance Forum (IFF, 2021) finds:

“Despite the encouraging progress, green finance development faces many challenges. These include uneven development across countries, limited diversity in products and services, lack of consistency in green finance definitions and disclosure standards, and the negative impact of the COVID-19 pandemic. To address these challenges, the report calls for continued policy support, more financial innovations to develop diversified green finance products and services, and greater harmonization of green finance definitions and disclosure standards within and across countries. It also calls for closer international cooperation, especially in harmonizing definitions and standards, promoting sound investment principles and practices, developing human capital and

building capacity, facilitating climate-related financial flows to low-income and vulnerable countries, and improving green finance statistics and data collection.”

South–south partners and Aid for Trade financing

South–south partners are also integrating environmental concerns into their Aid for Trade financing. In 2021, China issued the *Green Development Guidelines for Overseas Investment and Cooperation*⁴ (see Box 6) and a report on China's Belt and Road Initiative states that 2020 was the first year that renewable investments in Belt and Road countries exceeded investments in coal, and that for the first half of 2021, these countries did not receive any coal-related financing (Nedopil Wang, 2022).

Floating solar photovoltaic panels in Viet Nam.



Box 6

Green Development Guidelines for Overseas Investment and Cooperation

In 2021, the Government of China issued a policy to encourage Chinese businesses to integrate green development throughout the whole process of overseas investment and cooperation. The Green Development Guidelines for Overseas Investment and Cooperation* was jointly issued by the ministries of commerce and Ecology and the Environment.

The guidelines recommend that Chinese enterprises “follow international green rules and encourages “companies to adopt international or Chinese standards in investing activities where local laws and regulations are non-existent or too lenient.” The guidelines encourage the practice of environmental impact assessments in accordance with internationally accepted standards. By including the three environmental aspects of pollution control, ecological protection and climate change, the guidelines break new ground by aligning Chinese overseas investment with the Paris Agreement.

The guidelines recommend that Chinese businesses support investments in solar, wind and other forms of clean energy. The guidelines also cover trade, by requiring companies to speed up integration with the global green supply chain, carry out green procurement and purchase environmentally friendly products and services. The guidelines are specifically addressed to some of the most important financial institutions: the China Development Bank, the Import–Export Bank of China and the China Export and Credit Insurance Corporation (Sinosure).

In June 2021, the Belt and Road Initiative International Green Development Coalition, ClientEarth and the Beijing Institute of Finance and Sustainability conducted a two-day workshop on environmental and climate risk mitigation with the largest financial institutions in the Belt and Road Initiative. Although the process is not without difficulties, these institutions are developing key policies, such as categorization of projects based on environmental risks, requirements for environmental standards, impact assessments, third-party evaluations, information disclosure and public participation, grievance mechanisms, and even potential fossil fuel exclusion policies.

Source: Text adapted from https://en.ndrc.gov.cn/news/mediarources/202108/t20210810_1293453.html.

* See <https://www.clientearth.org/latest/documents/green-development-guidelines-for-overseas-investment-and-cooperation-english-translation>.

Spotlight: WTO work on trade and environment

The 1994 Ministerial Decision on Trade and Environment* created the Committee on Trade and Environment (CTE):

- “(a) to identify the relationship between trade measures and environmental measures, in order to promote sustainable development;
- (b) to make appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required, compatible with the open, equitable and non-discriminatory nature of the system”.

The CTE is open to the entire WTO membership, with some international organizations as observers. With its broad mandate, the CTE has contributed to identifying and understanding the relationship between trade and the environment in order to promote sustainable development. Although the CTE has not recommended any changes to the rules of the multilateral trading system, its work has led to some trade and environment issues migrating to negotiations.

WTO joint initiative on trade and environment

In November 2020, a group of 50 WTO members announced their intention to intensify work on trade and environmental sustainability at the WTO by organizing “structured discussions” for interested WTO members as well as a dialogue with external stakeholders.** The Trade and Environmental Sustainability Structured Discussions (TESSD) are intended to complement the work of the CTE and other relevant WTO bodies and to support the objectives of the WTO, which envisages a global trading system that protects and preserves the environment in accordance with sustainable development.

The Ministerial Statement on the TESSD initiative***, adopted in 2021, sets out future work in areas such as trade and climate change, trade in environmental goods and services, the circular economy and sustainable supply chains. There are currently 71 WTO members participating in the initiative, including members from all regions and at all levels of development.

* See Annex II of *Meeting at Ministerial Level*, GATT document MTN.TNC/45(MIN), 6 May 1994.

** *Communication on Trade and Environmental Sustainability*, WTO document WT/CTE/W/249, 17 November 2020.

*** *Trade and Environmental Sustainability Structured Discussions (TESSD)*, WTO document WT/MIN(21)/6/Rev.2, 14 December 2021.



EXPERT OPINION

Green industrial development: just transitions to green energies and circular economies

Nilgün Tas, Deputy Director, Department of Environment, and Chief, Industrial Resource Efficiency Division, United Nations Industrial Development Organization (UNIDO)

Aid for Trade partner countries prioritize industry and United Nations Sustainable Development Goal 9 in efforts to achieve economic and export diversification, and note that industry may face the biggest sustainable development challenge. UNIDO is, however, convinced that we have most of the technologies, knowledge and skills to both maintain economic growth and to address the triple global crises of climate change, biodiversity loss and pollution. Just transitions to green, low-carbon economies in least-developed and developing economies will require partnerships, collaboration, capacity building and finance for engaging in green product and energy markets.

A green energy transition is a must to address about half of carbon emissions. UNIDO's Global Green Hydrogen Programme and Partnership* promotes green hydrogen to support inclusive and sustainable industrial development and commitments under the Paris Agreement on Climate Change.

Just transitions to green energies and circular economies are two sides of the same coin. The other half of carbon emissions and 90 per cent of land-related biodiversity loss are due to resource use for products we all consume to satisfy societal needs: from nutrition to housing, infrastructure, mobility, transport, consumer and capital goods, communications and all other services (IRP, 2019).

Wasting a product, part or material that can be reused, repaired, refurbished, remanufactured, recycled many times over or regenerated in nature creates huge economic losses, in addition to adverse environmental and health impacts.

Industries and firms that improve resource efficiency and implement circular economy practices produce sustainable and circular products, save costs, improve their competitiveness and

resilience, and create decent jobs, while safeguarding the environment. UNIDO's resource efficient and cleaner production (RECP) and transfer of environmentally sound technology (TEST) programmes that have spanned the globe since 1994 provide ample evidence of these co-benefits.

In Indonesia, 149 small and medium-sized enterprises (SMEs) save US\$ 19.6 million per annum, accompanied with 350 thousand tonnes of greenhouse gas emissions, 2.6 million m³ of water and reduce 2.2 million m³ wastewater emissions annually.** In a TEST programme in the Southern Mediterranean, 125 SMEs saved €41.7 million per annum, with associated environmental benefits (UNIDO, 2020). UNIDO's Global Eco-Industrial Parks Programme (GEIPP) targets existing industrial parks and support the circularity actions of the SMEs based there to create similar co-benefits.†

Industry is a core player in circularity on the supply side, although governments have the most important role. Only they can create favourable environments for businesses to engage in circular practices and enable consumers to push up demand for circular products and adopt sustainable lifestyles, as demonstrated by members of the Global Alliance on Circular Economy and Resource Efficiency (GACERE).††

International trade has the potential to become a key enabler of just transitions green energies and circular economy. Common definitions and classifications for green and circular products as they cross borders (e.g. remanufactured goods), trade facilitation (e.g. digitalization) to enhance traceability and transparency in supply networks, and integration of circularity across trade and economic cooperation agreements will go a long way in closing circles globally.

* See <https://www.unido.org/green-hydrogen>.

** See https://www.unido.org/sites/default/files/files/2020-11/INS-100224_RECP_TE-2019.pdf.

† See <https://hub.unido.org/about-eco-industrial-parks>.

†† See <https://www.youtube.com/watch?v=OYgasG8UWWo>.

Multilateral development bank commitments

African Development Bank Group

The African Development Bank Group launched its Climate Change and Green Growth Framework at COP26. The framework comprises a strategic policy, a long-term strategy for 2021-2030 and a five-year action plan for 2021-2025. Targets include:

- allocating 40 per cent of project approvals to climate finance by 2021, with equal proportions for adaptation and mitigation;
- including climate finance into all bank investments;
- securing significantly increased access to climate finance for low-income African countries (a target of US\$ 25 billion by 2025) and positioning Africa's financial sector at the forefront of financing innovations.

Asian Development Bank

Environmental concerns form a core priority of the Strategy 2030 (ADB, 2019a):

"Key responses identified under operational priority 3 of Strategy 2030 include scaling up support to address climate change, disaster risks, and environmental degradation; accelerating low GHG emission development; ensuring a comprehensive approach to build climate and disaster resilience; ensuring environmental sustainability; and increasing focus on the water-food-energy nexus."

As part of its sustainability initiatives, the ADB Trade and Supply Chain Finance Program ensures alignment with global environmental standards and helps the promotion of standards among partner banks. Environmental dimensions are also incorporated in regional cooperation and integration plans and a 2022 guidance note (ADB, 2022).

Asian Infrastructure Investment Bank

The Asian Infrastructure Investment Bank (AIIB) announced a target of 50 per cent of overall approved financing by 2025 will be directed toward climate finance as part of its commitment

to align operations with the goals of the Paris Agreement by 1 July 2023.⁵ In October 2021,⁶ AIIB reported:

- expanded focus on adaptation and resilience;
- climate finance accounted for 41 per cent of the infrastructure portfolio in 2020;
- cumulative climate finance approvals of US\$ 50 billion by 2030.

European Bank for Reconstruction and Development

The EBRD Green Economy Transition aims to achieve a green finance ratio of more than 50 per cent of its annual investments by 2025 (EBRD, 2020b), which will involve:

- aligning with the Paris Agreement
- enhancing policy engagement to develop long-term, low-carbon strategies and climate-resilient pathways
- innovating across thematic areas, including green financial systems, industrial decarbonisation, sustainable food systems, energy systems integration, cities and environmental infrastructure, sustainable connectivity, green buildings and natural capital".

The EBRD's approach seeks to use the full range of the EBRD's financial instruments and work closely with donors such as the Climate Investment Fund, the European Union, the Global Environment Facility, the Green Climate Fund and other bilateral donors.

Inter-American Development Bank

The IDB points to Vision 2025 as an example of an institutional strategy prioritizing the environmental dimension (IDB, 2021a), with actions to foster resilience, climate change mitigation and adaptation as one of the five pathways to accelerate recovery from the COVID-19 pandemic.

In addition, the IDB *Climate Change Action Plan 2021-2025* seeks to allocate USD 24 billion to climate and green finance projects as part of the IDB's annual minimum 30 per cent climate-finance goal (IDB, 2021b). The action plan seeks to support members through the following:

- policy support building on efforts to support the revision of nationally determined contributions;
- alignment of its operations with the Paris Agreement;
- mitigation and temperature goals focusing on making operations consistent with members' low-carbon development pathways;
- adaptation and climate-resilience to manage physical climate change risks;
- identifying opportunities to make operations more climate resilient;
- scaling up climate finance and operationalizing approaches to bridge the climate-finance gap and effectively support countries and private-sector clients to accelerate the transition to sustainable development;
- reporting on activities responding to climate change;
- building on the multilateral development bank climate-finance methodology;
- internal actions to align its corporate activities with decarbonization and climate resilience objectives.

Islamic Development Bank

The Islamic Development Bank refers to its *2020-2025 Climate Change Action Plan* (IsDB, 2020)⁷:

"The 5-Year Climate Change Action Plan sets out how the IsDB mandate on climate change will be implemented with its clients and various stakeholders in line with the Paris Agreement and the MDB Paris Alignment Framework. It also sets out modalities for achieving IsDB's climate finance target of 35% by 2025.

"The Bank is increasing its effort to ensuring that all its activities and operations contribute to the global Paris agreements goals by systematically integrating climate mitigation opportunities and adaptation measures in its investments and lending operations. This includes jointly working with other MDBs for a harmonized approach to Paris Alignment.

A shopkeeper has electricity until 11pm in her neighbourhood as a result of a community project in Port-au-Prince, Haiti.



To create sustainable systems, climate considerations have been mainstreamed in the Bank's different sector policies and related operational strategies, including agriculture and rural development, energy, transport, health, urban development and water policies."

World Bank

The *Climate Change Action Plan 2021-2025* (World Bank, 2021a) aims to advance its green, resilient and inclusive development approach. Through the action plan, the World Bank Group (WBG) "will support countries and private sector clients to maximize the impact of climate finance, aiming for measurable improvements in adaptation and resilience and measurable reductions in GHG emissions" (World Bank, 2021a):

"The new Action Plan represents a shift from efforts to 'green' projects, to greening entire economies, and from focusing on inputs, to focusing on impacts. ...The WBG is committed to aligning its financing flows with the objectives of the Paris Agreement ... that is consistent with pathways toward low-carbon and climate-resilient development."

The WBG will align all new operations starting 1 July 2023, where an operation is considered aligned when (World Bank, 2021a):

"(i) on climate mitigation, it actively contributes to decarbonization pathways (e.g., renewable energy) or supports activities that do no harm (e.g., education system reform); and (ii) on climate adaptation and resilience, it fully addresses climate risks. Operations that neither harm nor contribute to climate outcomes are considered aligned so long as they fully address any exposure to climate risks and are not inconsistent with country policies on low-carbon, resilient development. Operations that are considered universally non-aligned include the mining of thermal coal, electricity from coal, extraction of peat, and electricity from peat. The WBG announced in 2017 that it will no longer finance upstream oil and gas projects starting in 2019; it has not financed any oil pipelines since 2014."



Women at a community meeting discuss the reconstruction of their village, Yogyakarta, Indonesia.



Renowned for its durability and elegance, teak is a valuable resource, Jepara, Indonesia

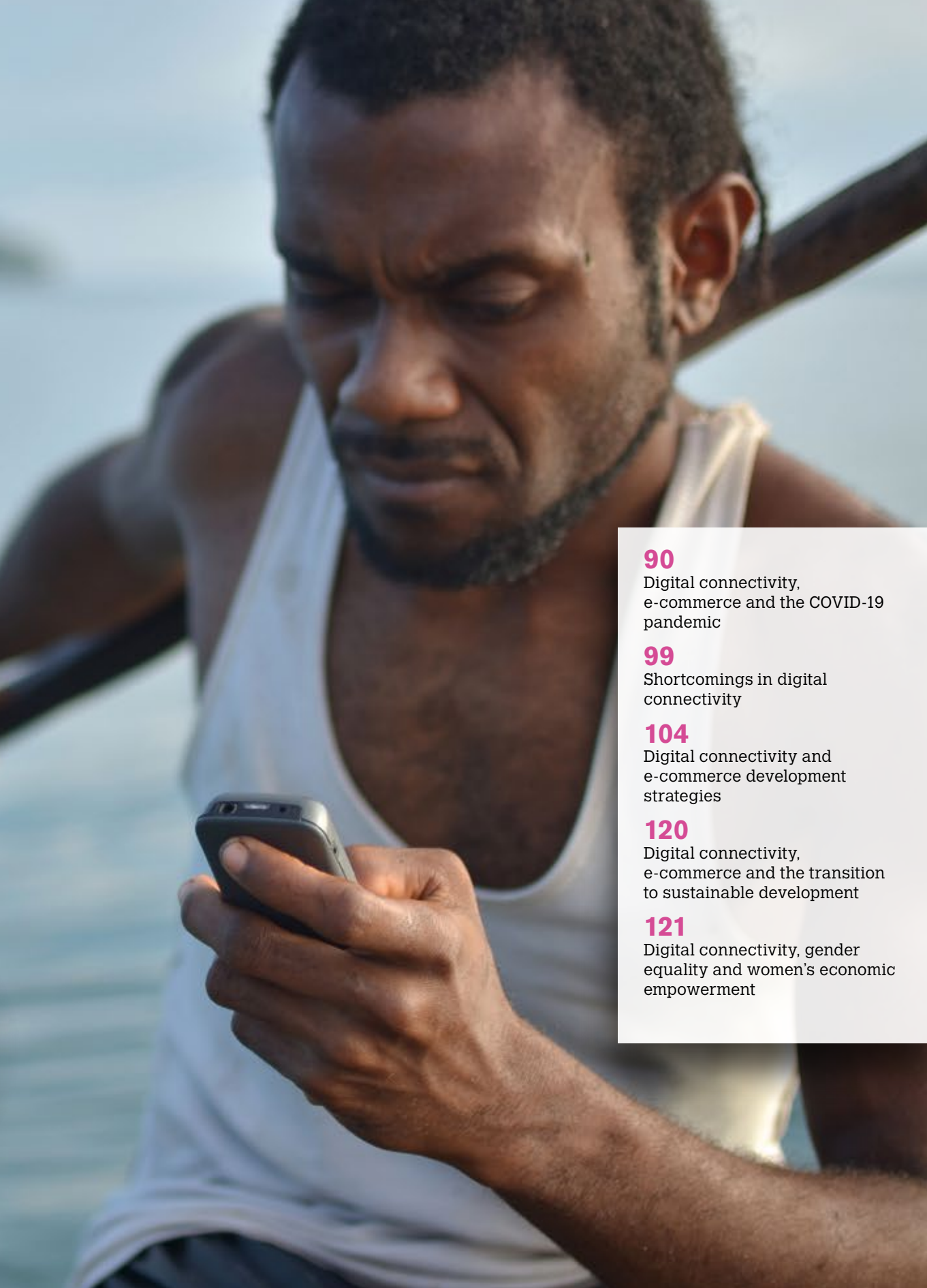
Endnotes

1. See https://www.wto.org/english/news_e/spno_e/spno24_e.htm.
2. See https://unfccc.int/sites/default/files/resource/cma2021_L16_adv.pdf.
3. *Ibid.*
4. See <https://www.clientearth.org/latest/documents/green-development-guidelines-for-overseas-investment-and-cooperation-english-translation>.
5. See <https://www.aiib.org/en/about-aiib/who-we-are/infrastructure-for-tomorrow/green-infrastructure/climate/index.html>.
6. See <https://www.aiib.org/en/news-events/news/2021/AIIB-to-Fully-Align-with-Paris-Agreement-Goals-by-Mid-2023.html>.
7. See <https://www.isdb.org/climate-change>.

Fisherman, Malekula Island,
Vanuatu.



**Digital
connectivity,
e-commerce
and sustainable
trade**



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Digital connectivity, e-commerce and the COVID-19 pandemic

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Shortcomings in digital connectivity

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Digital connectivity, gender equality and women's economic empowerment

The COVID-19 pandemic produced a connectivity boost



**782
million**

more people online in developing countries since 2019

Internet use 2019-2021

-  **Africa +23%**
-  **Asia and the Pacific +24%**
-  **least-developed countries (LDCs) +20%**



27% of the population of LDCs now online

Connectivity constraints remain...



- Insufficient/uneven internet coverage
- Inadequate network infrastructure and broadband capacity
- Poor access to internet services
- Poor digital skills and IT literacy

... but there is growing commitment to tackle them



80%

of developing countries prioritize digital issues in their sustainable development strategies

More financing available



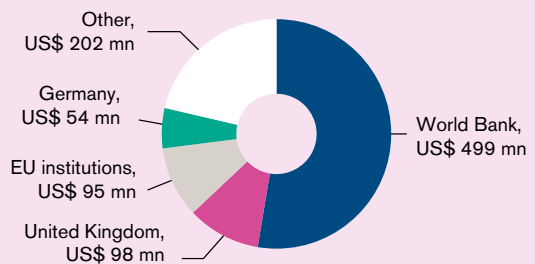
Development finance for digital activities more than tripled in 2015-2019 to

US\$ 18.6 billion

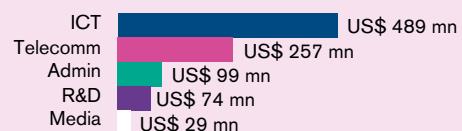
US\$ 4.2 billion

from private finance

Main donors of digital financing



Areas attracting digital financing



Information and communication technology (ICT) plays an essential role in accelerating digital connectivity and facilitating e-commerce, which can help to address the world's most pressing climate and environmental concerns. In turn, improved digital connectivity is fundamental to fulfil the promise of ICT for trade and development outcomes.

Aid for Trade stakeholders are providing more funding for digital connectivity and e-commerce programmes. Development finance for digital activities more than tripled between 2015 and 2019, with providers investing a total of US\$ 18.6 billion over this period.

The COVID-19 pandemic has prompted an unprecedented surge in digital connectivity and e-commerce growth. The pivot to e-government during the pandemic has been a key driver of this process.

However, the rapid growth in demand for digital connectivity and services has exposed shortcomings in, for example, ICT infrastructure, regulation frameworks, affordability of connection and digital skills. These factors mean the digital divide remains wide, both within and between countries.

Even though digital connectivity is widely recognized as a driver of women's economic empowerment, more than 70 per cent of respondents to a questionnaire, issued as part of the 2022 joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise, highlight that women face particular difficulties in accessing digital technologies.

Digital connectivity and e-commerce are areas where public–private partnerships are flourishing. In 2019, bilateral and multilateral institutions attracted approximately US\$ 700 million in private-sector financing for their digital projects. Private philanthropy mobilized an additional US\$ 4.2 billion.

However, there is still considerable scope to expand Aid for Trade financing for digital connectivity and e-commerce, in particular with regard to bilateral donors, south–south partners and public–private partnerships.

Using the responses given in the questionnaire, this chapter presents an analysis of the general trends and provides explicit examples based on the information the participants included in the questionnaire. The results of the M&E exercise have been divided into the following sections:

- digital connectivity, e-commerce and the COVID-19 pandemic;
- shortcomings in digital connectivity;
- digital connectivity and e-commerce development strategies;
- digital connectivity, e-commerce and the transition to sustainable development;
- digital connectivity, gender equality and women's economic empowerment.

This chapter also includes case studies based on work by the following international organizations:

- Asian Development Bank (ADB): ICT and economic resilience during the COVID-19 pandemic;
- ADB and International Monetary Fund (IMF): satellite observations and sustainable development outcomes;
- European Bank for Reconstruction and Development (EBRD): skills and the digital divide;
- OECD: measuring official development finance;
- United States Agency for International Development (USAID): why the gender digital divide exists;
- World Bank: digitalization and new trade opportunities.

“Improved digital connectivity is fundamental to fulfil the promise of ICT for trade and development outcomes.”



Using smart technology to manage sales in a small grocery, Dakar, Senegal.

Digital connectivity, e-commerce and the COVID-19 pandemic

Digital connectivity quickly emerged as an important factor for economic resilience during the COVID-19 pandemic, as lock-down measures limited person-to-person contact. Research by the ADB (see case study) finds that countries with better ICT infrastructure recorded lower drops in economic activity (ADB, 2021).

In 2021, the International Telecommunication Union (ITU) report that a “COVID connectivity boost”¹ had brought an estimated 782 million additional people online since 2019 (ITU, 2021a):

“Between 2019 and 2021, Internet use in Africa and the Asia-Pacific region jumped by 23 per cent and 24 per cent, respectively. Over the same period, the number of Internet users in the least-developed countries (LDCs) increased by 20 per cent and now accounts for 27 per cent of the population.”

This surge in connectivity has positive implications for economic growth and recovery. ITU research suggests that a 10 per cent increase in mobile broadband penetration yields 1.5 per cent growth in GDP per capita (ITU, 2021b). A recent report by Google and the International Finance Corporation of the World Bank finds that the internet economy in Africa has the potential to contribute 5.2 per cent of the continent's GDP by 2025, currently valued at US\$ 180 billion.² By 2050, the value could be as high as US\$ 712 billion by their estimates.

“A 10 per cent increase in mobile broadband penetration yields 1.5 per cent growth in GDP per capita.”

ITU (2021b)

Case study

ADB: ICT and economic resilience during the COVID-19 pandemic

In a cross-country analysis the ADB investigated whether economies with stronger ICT infrastructure fared better during the pandemic (ADB, 2021). The ADB examined 117 economies (86 emerging markets and 31 advanced economies) and found that for countries with major COVID-19 outbreaks, better ICT infrastructure reduced the negative impact on GDP growth.

Overall, the results were broadly in line with their expectations and, most significantly, lent some support to the notion that countries with better ICT infrastructure have been more successful in cushioning the economic shock of the COVID-19 pandemic by shifting more economic activity online.

In an ADB blog,* the economists responsible for the study noted that the natural policy implication is that investments in ICT infrastructure make an economy more robust in the face of pandemics and other shocks. The huge economic cost of COVID-19 highlights the huge potential benefits of such investments. In addition to reducing the cost of information and communication, ICT helps economies weather even big shocks.

* See https://blogs.adb.org/blog/did-internet-access-improve-economic-resilience-during-covid-19?utm_source=weekly&utm_medium=email&utm_campaign=alerts.

Government workers in Sri Lanka check financial details while following COVID-19 safety measures.



The increase in adoption of digital technologies has led to unprecedented reductions in the cost of engaging in international trade, changing both what is traded and how, contributing to growing competitiveness (López González and Sorescu, 2021). This has created new opportunities for trade for individuals and firms of all sizes in countries at all levels of development, not least in the context of tackling some of the consequences of the COVID-19 pandemic and helping economic recovery.

The M&E exercise reveals that Aid for Trade stakeholders are prioritizing digital issues in development strategies and the number of digital and e-commerce strategies is growing. The clear message is that the COVID-19 pandemic has accelerated e-commerce growth in countries at all levels of development. Responses from LDCs cite e-government as a prominent national digital economy driver. For example, Equatorial Guinea responds that the pandemic has given rise to the heyday of the digital economy and surely there is no turning back.

COVID-19 connectivity boost			
	Peru	Internet use jumped 7 percentage points for 6-18 year olds*	
* Q1 of 2021 year-on-year, Instituto Nacional de Estadística e Informática.		* March 2020 to April 2021, Comisión de Regulación de Comunicaciones, Colombia.	

ICT infrastructure is essential to enable working from home during the COVID-19 pandemic in Madagascar.



E-government

Responses to the questionnaire show that the pivot to e-government during the COVID-19 pandemic has been an important driver of growth in digital economies, regardless of the level of development of the respondent (see Box 1). Several LDCs report that the move to e-government is in response to the pandemic (see Table 1 for details):

- Mali, Uganda and Zambia report how moving education services and public services online is helping their domestic digital economies to grow.
- The Democratic Republic of the Congo, Guinea-Bissau and Madagascar report that teleworking, teleconferencing and webinars have transformed the business of government.

Box 1

Government e-procurement and the COVID-19 pandemic

COVID-19 lockdowns have accelerated the introduction, expansion and development of government e-procurement systems. Conducting government procurement electronically offers various benefits, such as reduced administrative burden and resource savings for both procuring entities and potential suppliers, as well as greater transparency which can, *inter alia*, help to fight corruption.

The pandemic has led some governments to use digital technologies to enhance transparency, especially in the areas of data management and data visualization tools:

- Moldova has created an open data dashboard that visualizes all COVID-related e-procurement transactions.*
- Bangladesh, with the support of the World Bank, is extending its e-procurement system to include new features to respond to COVID-19 challenges.**
- Colombia, Costa Rica, Peru and Ukraine use e-tools to publish procurement data and to monitor contracts signed during the pandemic (OECD, 2020).
- Some African countries similarly introduced new measures to publish electronically (OECD, 2020):
 - information on procurement contracts exceeding a specific threshold (e.g. Chad, Eswatini, Malawi);
 - the name of the company to whom a contract has been awarded (e.g. Benin, Madagascar, Mali);
 - information on beneficial ownership (e.g. Guinea, Lesotho);
 - expenditure reports (e.g. Mozambique, Namibia, Senegal) (CABRI, 2020).

* See https://content.unops.org/publications/The-future-of-public-spending-Responses-to-covid19_EN.pdf.

** See <https://www.worldbank.org/en/news/press-release/2021/02/06/world-bank-helps-bangladesh-expand-electronic-public-procurement>.

Aid for Trade donors and south–south partners also support e-government, and the area is attracting donor attention. The German Federal Ministry of Economic Cooperation and Development (BMZ), for example, is leading a multi-stakeholder public–private initiative to digitalize public administration. Through the GovStack programme, the BMZ is specifying and developing open and interoperable ICT building blocks, such as identification and authentication components for digital identities

or electronic payment services, to promote digital public goods and infrastructure.

Significant pre-pandemic work had already begun in many developing countries to build the digital economy, including in LDCs (see Box 2). Among middle-income countries, Mauritius and Peru note how public entities are accelerating the digitization of public services and processes, including to accommodate working from home.

Box 2

Madagascar's digital journey

Madagascar plans to become a leader in ICT services, according to Gil Razafintsalama, President of the Administrative Council of the Higher School for Information Technologies (ESTI). To fulfil this objective, Madagascar has put in place a nation-wide digital transformation process to establish its e-government mechanism, digitalization of administrative procedures and provision of affordable internet to the public.

Digital services already employ around 23,000 formal workers and 85,000 informal workers in sectors such as web development, writing, translation and graphic design, among others. The sector's turnover amounts to nearly US\$ 417.5 million, shared between telephone operators (76 per cent), web subcontracting (17 per cent) and digital services companies (6 per cent).

Madagascar has been connected to several undersea fibre-optic cables through a series of public–private partnerships. These infrastructure consortia have included the African Development Bank, Africa–EU Partnership, the World Bank and commercial partners such as France Telecom and Orange Madagascar, among others.*

The COVID-19 pandemic further boosted uptake of the digital economy, with e-government and social networks key drivers of growth. However, various constraints still stand in the way of realizing the country's digital economy potential including access to energy, ICT skills, legislative frameworks and slow uptake of e-payments. Madagascar needs to train at least 1,000 ICT engineers each year to sustain and drive further growth. Further Aid for Trade funding in these areas is a priority, said Mr. Razafintsalama.

Severe storms which hit Madagascar in 2022 are a reminder that growth in the digital sector offers opportunities for both advance warnings and economic resilience. Increased Aid for Trade support will help to achieve this goal.

* See <https://lion-submarinesystem.com> and <https://www.eassy.org>.

E-commerce

Responses to the questionnaire highlighted that e-commerce accelerated during the COVID-19 pandemic. This expansion of e-commerce is referred to in the responses from Bangladesh, Colombia and the Philippines. Other small economies report similar results, such as:

- the emergence of e-commerce companies;
- many micro, small and medium-sized enterprises (MSMEs) being forced to offer services through online platforms;
- new opportunities for entrepreneurs in delivery and other services with a digital dimension.

WTO statistics highlight how the shift to remote working and increased digitalization is also reflected in trade flows. According to the WTO's estimates, as of April 2022, cumulative global exports of ICT services increased by 30 per cent in 2021 compared to pre-pandemic levels in 2019.³

In addition, global computer services exports, as a subsector of ICT services, grew by 38 per cent in 2021 compared to 2019. Rapid growth in

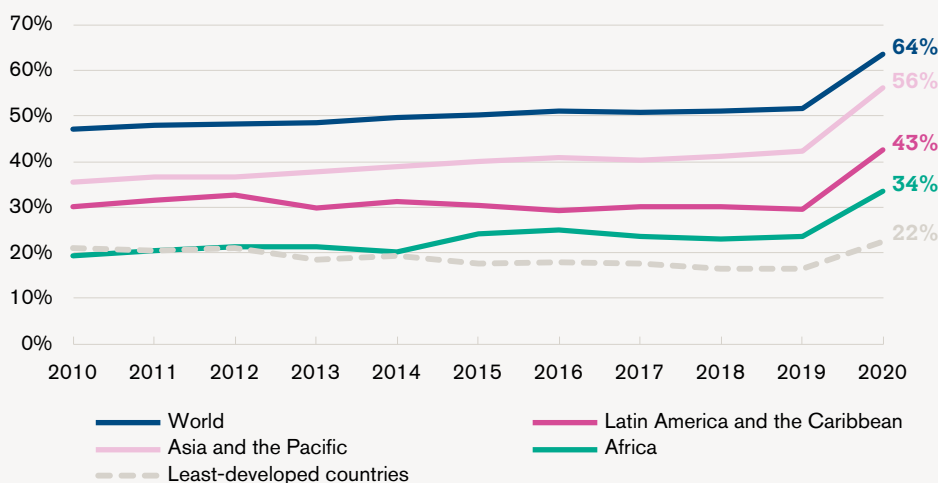
computer services exports was also recorded over the same period in the following developing countries:

- Mauritius, 42 per cent;
- Bangladesh, 60 per cent;
- Indonesia, 65 per cent;
- Pakistan, 98 per cent.⁴

Data from UNCTAD show a strong uptake in the share of digitally deliverable services in global services exports in 2020 (see Figure 1), indicating the accelerating effect of the COVID-19 pandemic towards digital transformation.

“The COVID-19 pandemic also increased growth in global exports of ICT goods, which was worth US\$ 2.3 trillion in 2020.”

Figure 1: Digitally deliverable services as a share of global services exports



Source: See <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=158358>.

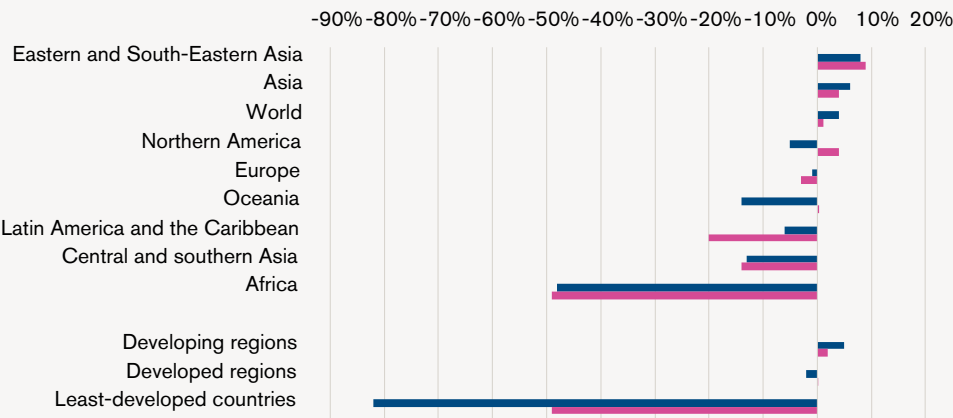


Demonstrating the use of a mobile phone app to farmers in Nepal.

The COVID-19 pandemic also increased growth in global exports of ICT goods, which was worth US\$ 2.3 trillion in 2020 (UNCTAD, 2021). Data from UNCTAD indicates that this growth was narrowly focused on established Asian suppliers and that other regions – notably Africa – and LDCs experienced steep declines in ICT trade (see Figure 2).

However, data measurement issues continue to hamper research and policy-making on e-commerce. In response, UNCTAD is working on pilot projects with a number of Aid for Trade stakeholders to improve data collection on digitally delivered services (UNCTAD, 2018).

Figure 2: Change in ICT goods exports and imports, 2019-2020



Source: UNCTAD (2021).

■ ICT goods exports ■ ICT goods imports

Case study

World Bank: Digitalization and new trade opportunities

The World Bank reports in its questionnaire response that digitalization is creating new trade opportunities by giving access to remote and foreign markets to firms of all sizes in any location, and by lowering trade costs and expanding the variety of goods and services that can be traded. New technologies are having a transformative effect on international trade by powering e-commerce.

While e-commerce is currently dominated by high-income countries, developing countries are increasingly engaging in e-commerce as exporters of high-value digital services. Establishing a conducive environment for e-commerce, however, remains a complex endeavour.

The foundations of the digital economy rest on a modern ICT infrastructure, a favourable business environment and an educated population. In addition, e-commerce requires specific enabling conditions that build on those foundations:

- businesses require specific digital skills and entrepreneurship to engage in e-commerce;
- cross-border transactions need effective electronic payment systems;
- a sound regulatory framework can strengthen trust in digital markets and provide tools for remote transactions, including cross-border data governance, platform regulation, online consumer protection and digital signatures;
- goods sold across borders through e-commerce need efficient trade facilitation and logistics suited to e-commerce deliveries.

E-commerce would benefit from substantial and clear international rules. Trade agreements have been at the forefront of global digital governance, featuring the first binding international rules on cross-border data flows. Rules on e-commerce are growing in both scope and depth, as well as in importance in trade negotiations, at global, regional and bilateral levels.

Traders work on the floor of the Ghana Stock Exchange in Accra.

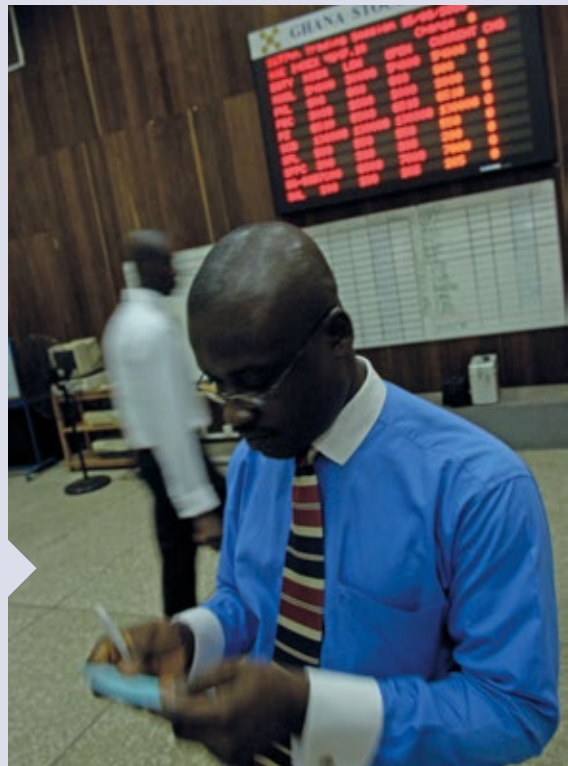


Table 1: Digital economy growth during the COVID-19 pandemic

Regions and donors	Responses in questionnaire
Africa	
Comoros	Pandemic contributed to the emergence of e-commerce businesses
Equatorial Guinea	Government is aware that the pandemic gave rise to the heyday of the digital economy and there is no turning back
Mali	Videoconferencing replaced face-to-face meetings Online commerce increased Exporters started to take more interest in online sales Administrations achieved economies of scale through teleworking
Uganda	Most government meetings are conducted online Government services are delivered online (e.g. passport and national identity card applications)
Zambia	Increased use of electronic means of supply, with education and public services recently being provided electronically
Latin America and the Caribbean	
Colombia	Expansion seen in e-commerce sectors
Grenada	Many MSMEs forced to offer services through online platforms
Peru	Pandemic accelerated digital technology and internet use In the first quarter of 2021, the percentage of 6-18 year olds accessing the internet increased by 7 percentage points compared to 2020 Public entities accelerated the digitalization of public services and processes
Saint Lucia	Effects of the pandemic provided opportunities for entrepreneurs in delivery and other services with a digital dimension
Donors	
Inter-American Development Bank	Pandemic accelerated digitalization but also highlighted and sometimes even exacerbated the structural problems of Latin America and the Caribbean (unemployment, poverty, inequality, corruption) in the context of limited fiscal space
Canada	From the perspective of its involvement at the ITU, the pandemic has highlighted the enormous challenges resulting from the inequity in digital access and ICT use in developing countries and LDCs
Germany	Pandemic demonstrated the central importance of digital transformation for economic development Digitalization offers a key to future-oriented economic activity to counter unemployment (in particular youth) and to improve the quality of work
West African Economic and Monetary Union	Openness to digital services can improve business opportunities and facilitate payment transactions

Shortcomings in digital connectivity

The M&E exercise reveals shortcomings in digital connectivity exposed by the COVID-19 pandemic (see Figure 3). Of the top five issues identified by respondents, internet coverage and network infrastructure shortcomings come out top of this list for both developing countries and donors. Digital skills, access to services and digital payment issues also emerge strongly. It is important to note that the listing is not a prioritization, but instead refers to the most commonly cited shortcomings by respondents. Further shortcomings Aid for Trade stakeholders gave in the questionnaire included the following (see Table 2 for details):

- basic infrastructure remains a binding constraint for some LDCs;
- continuing investment needed to upgrade ICT infrastructure in developing countries;
- improvements needed in the quality and scope of regulatory frameworks for e-commerce;
- shortfalls in ICT skills.

Digital divide

Despite the COVID-19 connectivity boost, the digital divide remains wide. Responses to the questionnaire from many LDCs underscore the continuing need for major investment in both basic connectivity and for the development of quality digital infrastructures and services (see Box 3).

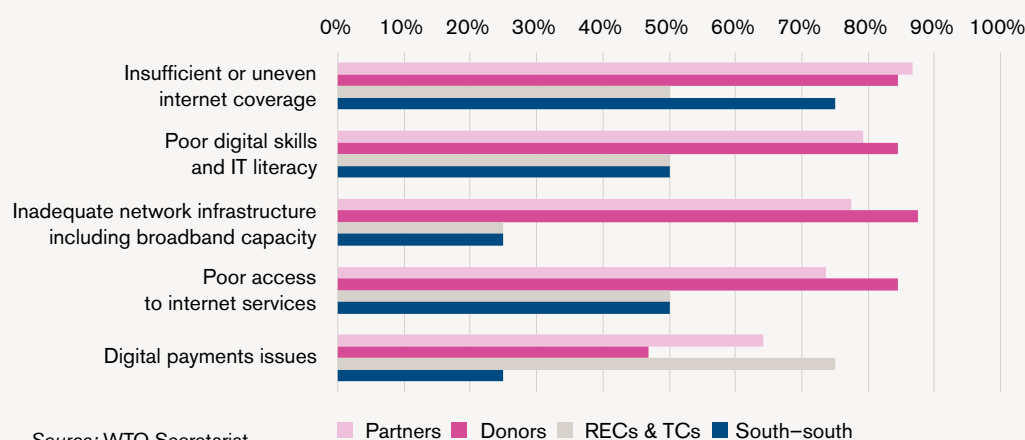
Box 3

The coverage gap

The coverage gap – those living in areas without mobile broadband coverage – stands at 450 million people or 6 per cent of the world's population. Sub-Saharan Africa is home to 47 per cent of the world's uncovered population, – an estimated 210 million people in 2020. The region's coverage gap is more than three times the global average.

Source: Text adapted from GSMA (2021a).

Figure 3: Most commonly cited issues where COVID-19 pandemic has exposed shortcomings in digital connectivity



The digital divide also exists within countries, such as between urban and rural areas, large firms and MSMEs, and between men and women (see Box 4). Smooth digitalization and deployment of technologies depends on key infrastructure such as network coverage, but also on bringing more people online and making new technologies more affordable.

A barrier to digitalization is the lack of digital skills (World Bank, 2021c):

“There is also the challenge of bringing more people online, especially in countries with a gap between the number of people who have access to networks and those who are online. This gap is a function of affordability, the existence of local content, and digital skills”.

As a result, 2.9 billion people around the world – especially women and girls – are missing out on the benefits of digital transformation (OECD, 2021b).

“2.9 billion people around the world – especially women and girls – are missing out on the benefits of digital transformation.”

OECD (2021b)

Box 4

Digital payment and financial inclusion

Digital payment programmes were instrumental in delivering pandemic relief and wages. A World Bank study finds that digital payment systems were used on many occasions to disburse social protection benefits quickly and securely (Gentilini *et al.*, 2020).

Since the pandemic, 60 per cent of financial authorities worldwide have noted an increase in digital transactions. Digital payments enable gender inclusion. Digitizing payment of public sector wages and social protection benefits has prompted millions of women without a bank account to open an account in recent years.

Though digital financial services offer a gateway to financial inclusion, women still face barriers to accessing and using them. The OECD recommends prioritizing women's digital financial inclusion to ensure stronger, more resilient economies. Development co-operation providers should share good practices and lessons learned on responsible digital payments to strengthen data protections and build inclusive digital ecosystems to reach the high number of underserved households in low and middle-income countries.

Source: Text adapted from chapter 28 of OECD (2021b).

Case study

EBRD: Skills and the digital divide in Central Asia, Central and Eastern Europe and the Southern and Eastern Mediterranean

Insufficient digital skills is holding back digitalization in many EBRD economies. Returns to investment in digital-intensive capital are significantly higher in economies with strong skills. While countries with medium levels of digitalization have been catching up with advanced economies, countries with the lowest levels fall behind.

People better off and city dwellers have been able to order goods and services online and even work from home. However, many remain excluded from such benefits of digitalization. Similarly, while some firms have taken advantage of the new opportunities provided by digitalization, others have also fallen behind. Those with medium levels of education and income and the middle-aged have been catching up with the most digitally literate groups. However, people aged 55 or over, people with only lower-secondary education and people in the poorest income quartile have made only limited gains. These groups are at risk of falling further behind.

Many economies in the EBRD regions are also experiencing significant “brain drain”, with people with strong digital skills moving abroad. The resulting low levels of digital skills are already holding back people’s use of digital technologies, even where the relevant digital infrastructure and services are available. Digital divides may also contribute to increased divergence in the performance of firms, with larger, better managed and more innovative firms being more likely to take advantage of digitalization. Such firms are also more likely to have increased their use of digital technologies during the COVID-19 pandemic, suggesting that digital gaps between firms may widen in the future. That increased dispersion in the productivity of firms could, in turn, weigh on average productivity in the economy.

Source: Adapted from chapter 1 of EBRD (2021).



Furniture manufacturer benefits from EBRD funding for digitalization in the Republic of Moldova.

Table 2: Shortcomings in digital connectivity

Regions and donors	Responses in questionnaire
Africa	
Madagascar	Digital divide exists in terms of: ▪ infrastructure ▪ broadband internet access ▪ digital security of electronic payments
Mali	A lack of non-operational electronic certification and signature service (which handicaps the development of exchanges and electronic commerce) Inadequate broadband connection infrastructure Poor coverage and insufficient connection access infrastructure Insufficient legislative and regulatory mechanisms in terms of connectivity and electronic exchanges Insufficient human resources
Latin America and the Caribbean	
Peru	Inadequate internet coverage: by 2021, only 52.5 per cent of all households had internet access and only 20 per cent of households in rural areas To promote digital connectivity at the national level, the government has been working in coordination with the public and private sector and academia to determine a joint strategy
Saint Lucia	Digital payments problems: 80 per cent of businesses comprise MSMEs, most of which have no online presence other than social media and are unable to transact business digitally Inadequate broadband capacity: apparent in early phases of the pandemic but has been adequately addressed by service providers with additional efforts ongoing Uneven internet coverage: lack of or inadequate access for poor and vulnerable communities and households Poor digital skills: learning curve for students, teachers and other professionals in the use of various online platforms, and MSMEs require training in online presence and transactions Rules relating to e-commerce: accelerated DigiGov project and government's ability to provide services and transact business online, and added impetus to draft and ratify legislation and policies for connectivity and e-commerce
Donors	
International Islamic Trade Finance Corporation	ICT infrastructure and services: ▪ affordable and reliable ICT infrastructure is of paramount importance to e-commerce ▪ universal coverage of high-speed broadband, regular upgrading of infrastructures and reduced artificial regulatory barriers should be pursued Trade logistics and trade facilitation: ▪ an effective and competitive national and international trade environment is vital for achieving effective e-commerce ▪ effective trade logistics and cross-border facilitation measures are key for the fulfilment of goods-related e-commerce

Donors and regions	Responses in questionnaire
Donors	
Norway	Social safety nets and digital public infrastructure that other service providers can build on top of for better service delivery, such as digital identification systems, civil registration and vital statistics
United Nations Conference on Trade and Development	COVID-19 pandemic has demonstrated some important limitations of today's digital connectivity environments: ▪ those who are less connected have been less able to take advantage of ICT's potential ▪ higher demand for connectivity has put greater pressure on communications networks and services ▪ increased demand has given greater urgency to measures intended to increase bandwidth and extend connectivity to underserved communities

Affordability

The affordability of electronic devices and connecting them to the internet is stifling demand for digital connectivity in many countries where digital coverage exists (see Box 5). On the African continent, for example, the affordability of devices, high data costs and the extent of network coverage remain key challenges.

A report by GSM Association estimates that globally, 3.4 billion people do not use mobile internet, despite living in areas with mobile broadband coverage (GSMA, 2021a). This discrepancy – defined the usage gap – is seven times larger than the coverage gap and represents 43 per cent of the world's population.

More than 1 billion people live in countries where 1 GB of data is simply too expensive; and almost 2.5 billion people live in countries where the most affordable smartphone costs more than a quarter of the average monthly income (OECD, 2021b; Alliance for Affordable Internet and World Wide Web Foundation, 2020).

Box 5

Affordability target

The affordability target set by the United Nations Broadband Commission for Sustainable Development – to bring the cost of entry-level broadband services below 2 per cent of monthly GNI per capita by 2025 – remains elusive.

Prices remained far above the 2 per cent target among most LDCs. Of the 18 economies where mobile broadband internet access cost more than 10 per cent of GNI per capita, 16 were LDCs.

Source: Text adapted from ITU (2022).



A solar-energy mobile app is available in Uganda.

The challenges identified by developing and partner countries in the Aid for Trade M&E exercise shows that the benefits of digitalization for trade, and of trade for digitalization, require action across a number of different policy areas if these benefits are to be realized in practice. This requires action across a broad range of areas – from building digital skills and addressing digital divides to improving access to ICT goods and services and the affordability and reliability of internet connections.

Digital connectivity and e-commerce development strategies

Aid for Trade at a Glance 2017 (OECD/WTO, 2017) found a “digital trade policy divide”, with many respondents seemingly unaware of national digital connectivity or e-commerce development strategies. Of the 63 respondents to the questionnaire of that year’s M&E exercise, 33 stated that their government did not have an e-commerce or other digital-related strategy.

Further analysis suggested, however, that respondents may simply not have been aware of these strategies. Only 10 respondents cited the presence of trade ministries in national ICT co-ordination mechanisms. Other respondents noted that such mechanisms were absent.

Five years on, this digital trade policy divide seems to have narrowed. Responses to the questionnaire show the following:

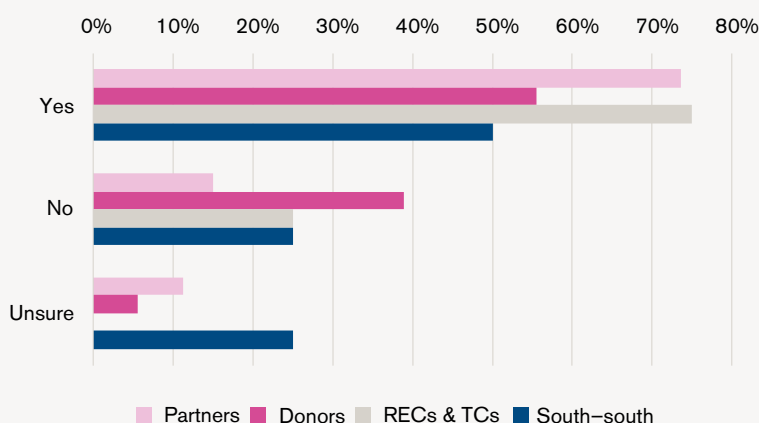
- 80 per cent of the respondents from developing countries highlighted that digital connectivity is reflected as a priority in their development strategies.

- 74 per cent of responses from developing countries indicated a strategy for digital connectivity (i.e. digital economy, e-commerce).

The results of the questionnaire suggests that digital connectivity and e-commerce are being more systematically programmed into national development strategies (see Boxes 6 and 7), and there is growing awareness among the M&E respondents (see Figure 4). Responses to the questionnaire include the following actions (see Table 3 for details):

- adoption of new digital strategies and ministries;
- development of regional strategies;
- creation of strategy documents that range from basic digital connectivity through to more specific policy areas such as national artificial intelligence and blockchain policies.

Figure 4: Existence of digital connectivity and e-commerce development strategies



Source: WTO Secretariat.

Box 6

Capitalizing on the potential of new technologies: Norway's experience

Norway realized that its development co-operation was not fully capitalizing on the potential of new technologies due to a fragmented, uncoordinated approach to digitalization. To deliver sustainable results in the long term, Norway set out to develop a strategy for digital transformation in development policy.

Following consultations with academia and the private and public sectors, a set of 11 guidelines for the Government were developed and included in the digital development strategy.* These guidelines are designed to help to integrate established best practices into all programmes.

Norway and Norad – Norwegian Agency for Development Cooperation – also participate in the multi-stakeholder Digital Public Goods Alliance, which seeks to accelerate the attainment of the SDGs in low and middle-income countries by facilitating the discovery, development, use of and investment in digital public goods.

Source: Text adapted from chapter 37 of OECD (2021b).

* See https://www.regjeringen.no/globalassets/departementene/ud/dokumenter/utvpolitikk/digital_strategynew.pdf.

Box 7

Colombia's digital policy landscape

Colombia notes that its development strategy *Pact for Colombia, Pact for Equity* focuses on a range of issues, including a call for the “Digital Transformation of Colombia: Government, businesses and households connected to the knowledge era”. The strategy contains a whole-of-government approach to digital transformation and strives for broadband and digital inclusion of all Colombians.*

To promote digital connectivity, Colombia implemented the Vive Digital I and II Plans, the National Fibre Optic Plan and the National High Speed Connectivity Plan. Its ICT strategy is to broaden access to ICT and to improve the quality of ICT services. One such plan is to promote the affordability of fixed internet services for low-income households through demand incentives to develop ICT habits and skills.

The national strategy on digital development and society has been clearly articulated, and policies include topics such as:

- digital transformation and artificial intelligence**
- technologies for learning***
- digital trust and security†
- electronic commerce††

Measures taken to address the COVID-19 pandemic have promoted the use of digital tools for work, social and educational activities to prevent the spread of the virus. Internet provision has been declared an essential, universal public service.



A rural school in La Ceja, Colombia.

* See <https://www.minvivienda.gov.co/ministerio/planeacion-gestion-y-control/planeacion-y-seguimiento/plan-nacional-de-desarrollo-2018-2022>.

** See <https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/3975.pdf>.

*** See <https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/3988.pdf>.

† See <https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/3995.pdf>.

†† See <https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/4012.pdf>.

Spotlight: WTO work on e-commerce

In response to the growing importance of e-commerce, ministers adopted the Declaration on Global Electronic Commerce* at the Second Ministerial Conference in May 1998.

The Declaration called for:

- the establishment of a work programme;
- a provisional moratorium on customs duties on electronic transmissions.

In September 1998, the General Council adopted the Work Programme on Electronic Commerce** to examine trade-related issues relating to global e-commerce, which states:

“For the exclusive purposes of the Work Programme and without prejudice to its outcome, the term ‘e-commerce’ was understood to mean the production, distribution, marketing, sale or delivery of goods and services by electronic means.”***

The Work Programme instructed the following four WTO bodies to explore the relationship between existing WTO agreements and e-commerce:

- Council for Trade in Services;
- Council for Trade in Goods;
- Council for Trade-related Aspects of Intellectual Property Rights (TRIPS);
- Committee on Trade and Development.

WTO joint initiative on e-commerce

A group of 71 WTO members agreed at the 11th Ministerial Conference in December 2017 to initiate exploratory work towards future WTO negotiations on trade-related aspects of e-commerce. In January 2019, 76 WTO members confirmed in a joint statement their intention to commence these negotiations. They agreed to “seek to achieve a high standard outcome that builds on existing WTO agreements and frameworks with the participation of as many WTO Members as possible.”+

As of January 2021, there are 86 WTO members participating in these discussions, accounting for over 90 per cent of global trade.

* Declaration on Global Electronic Commerce, WTO document WT/MIN(98)/DEC/2, 25 May 1998.

** See https://www.wto.org/english/tratop_e/ecom_e/ecom_work_programme_e.htm.

*** Work Programme on Electronic Commerce, WTO document JOB/GC/73, 6 February 2015.

+ For further information, see https://www.wto.org/english/tratop_e/ecom_e/joint_statement_e.htm.

Table 3: Digital connectivity and e-commerce development strategies

Regions and donors	Responses in questionnaire
Africa	
Benin	Digital connectivity as a priority is outlined in the various government action programmes, specifically, accelerating massive investments for the development of quality digital infrastructures and services
Burkina Faso	Developing national e-commerce strategies
Comoros	Digital strategy focuses on: ▪ strengthening the legal and institutional framework ▪ promoting the use and dissemination of ICT ▪ pooling infrastructure and capitalization of investments ▪ diversifying the sector beyond communications Ambition to become “an information society, actor of the digital revolution” by 2030
Ethiopia	Strategy in place but is still to be implemented
Madagascar	The e-commerce sector is beginning to be structured, and most of the laws protecting users already exist Some laws still need to be promulgated: ▪ accreditation of certification centres for electronic signatures ▪ establishment of the Commission malagasy sur l'informatique et des libertés (CMIL) for the protection of personal data ▪ establishment of computer incident response teams for digital security
Mali	Established the National Policy for the Development of the Digital Economy
Mauritius	Government to invest further to digitalize public services and: ▪ create an “e-Mauritius” ▪ introduce relevant legislation to consolidate cybersecurity ▪ encourage online and cashless transactions ▪ promote an open data culture ▪ improve access to high-speed internet
Senegal	Developing national e-commerce strategies
Zambia	Developing national e-commerce strategies, such as the creation of the Ministry of Science and Technology to promote a sustainable digital economy
Asia and the Pacific	
Bangladesh, Cambodia, Nepal	Drafted strategy documents for digital connectivity and e-commerce
Philippines	Strategies in the broader context of e-government
Sri Lanka	In the process of developing a national digital transformation strategy
Europe	
Republic of Moldova	Creation of national digital strategies
Latin America and the Caribbean	
El Salvador	Policy work focuses on specific issues such electronic signatures and the digitalization of procedures
Mexico, Peru	Creation of national digital strategies
Saint Lucia	Digital connectivity is a key area for development both as a stand-alone sector and as an enabler for other sectors
Saint Vincent and the Grenadines	In the process of developing a national digital transformation strategy

Donors and regions	Responses in questionnaire
Donors	
Australia	Digital connectivity is highlighted to varying degrees and according to partner circumstances and needs in regional and bilateral COVID-19 development response plans
Canada	Its efforts to promote connectivity around the world include its membership and contributions to the ITU (annually C\$ 4.8 million) Increased connectivity and access to ICT is essential to achieve the SDGs
European Union	Through the Global Gateway (European Commission, 2019b), the European Union aims to mobilize infrastructure development investments of up to €300 billion between 2021 and 2027 It will offer digital economy packages that combine infrastructure investments with country-level assistance on ensuring the protection of personal data, cybersecurity and the right to privacy, trustworthy AI, as well as fair and open digital markets
Japan	Science and technology innovation is one of the priority issues in the SDGs Implementation Guidelines and is a priority issue in the SDGs Action Plan 2021
Pacific Islands Forum Secretariat	Developing a regional and sub-regional e-commerce strategy
Russian Federation	Digital connectivity is covered by the priority areas set out the Concept on International Development Assistance
TradeMark East Africa	Focusing on the digitization of trade procedures have a very large component of its programmes related to automation of trade agencies (customs systems, standards, cargo tracking, single windows, online information portals) as well as programmes promoting e-commerce

Among donor respondents, a similarly diverse picture emerges. Donors such as the ADB, the European Union, Germany, the Netherlands, Norway, (see Box 6), UNCTAD, the United States and the World Bank have specific strategies to promote digital connectivity.

Other donors such as Australia, Canada, the EBRD, Japan, the Republic of Korea, the Russian Federation, Slovenia, Sweden, Chinese Taipei and the United Kingdom are seeking to mainstream digital connectivity into their development cooperation strategies.



Using a mobile device to observe patterns of tree cover loss, San Cipriano, Colombia.

Case study

OECD: Measuring official development finance for digitalization

Development finance for digital activities more than tripled between 2015 and 2019, with providers investing a total of US\$ 18.6 billion and mobilizing another US\$ 4.2 billion in private finance, according to estimates based on the Creditor Reporting System.

Accurately tracking financing for digitalization is challenging. There is no standardized general definition. Financing can take many forms and support a range of activities, such as:

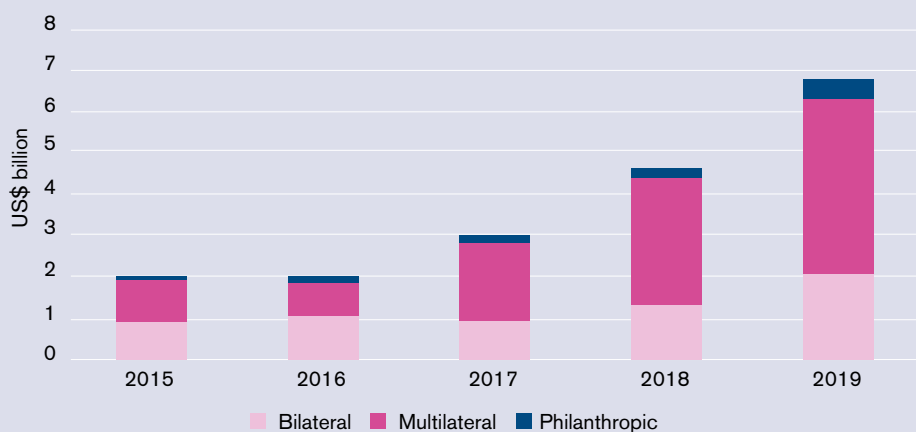
- introducing digital infrastructure such as networks, computing and communication tools;
- developing (i.e. through training and education) the broad set of skills and technical abilities required to take advantage of digital technologies;
- implementing organizational changes that take advantage of new technologies and enable new activities on which they are based.

Apart from investments in hard digital infrastructure, most support for digitalization and digital transformation is cross-sectoral. In 2020, the European Union developed a marker to track investment in digitalization.

Bilateral and multilateral development finance institutions and finance from private philanthropic institutions increased from US\$ 2 billion in 2015 to US\$ 6.8 billion in 2019. To put these figures in perspective, these institutions' financing for digitalization in 2019 is of the same order of magnitude as their commitments to the development of the industry sector (US\$ 7 billion) and to renewable energy sources (US\$ 7.7 billion).

Development finance for digitalization from multilateral institutions alone more than quadrupled, rising from US\$ 1.0 billion in 2015 to US\$ 4.2 billion in 2019. Multilateral development finance institutions represented 62 per cent of the total committed by multilateral and bilateral providers and private philanthropic institutions in 2019.

Development finance for digitalization more than tripled from 2015-2019



Source: OECD estimates based on the data available in the Creditor Reporting System database.

Philanthropic institutions

Private philanthropic institutions' support to digitalization reached US\$ 491 million in 2019. In relative terms, private philanthropic institutions devote a greater share of their investments to support digitalization than do bilateral and multilateral institutions. Digitalization-related activities accounted for 4.6 per cent of the 2018-2019 portfolio of private philanthropic institutions, compared to 2.7 per cent for multilateral institutions and 1 per cent for bilateral providers. It is useful to note that private philanthropic finance is provided on an exclusively grant basis.

Development finance for digitalization is concentrated among a few private philanthropic institutions. In absolute terms, the Bill & Melinda Gates Foundation is estimated to be the largest philanthropic institution giving digital-related finance, committing 4 per cent of investment, or US\$ 556 million, over 2015-2019. The MasterCard Foundation was the second largest private philanthropic provider, committing 19 per cent of its portfolio (US\$ 161.7 million) to digital projects over the period. The Wellcome Trust was third with 10 per cent of its portfolio (over US\$ 80 million).

Bilateral and multilateral institutions

Digital connectivity and the digital economy are an area where bilateral and multilateral institutions are also engaging in public-private partnerships and mobilizing additional private finance. In 2019, bilateral and multilateral institutions attracted approximately US\$ 700 million, with a large share benefiting the financial sector.

The data analysed reflect activities relating to digitalization reported by more than 100 bilateral, multilateral and philanthropic institutions over 2015-2019. Of these, the ADB, EU institutions, France, Germany, the Inter-American Development Bank (IDB), the Republic of Korea, the United States and the World Bank (through the International Development Association, the International Bank for Reconstruction and the International Finance Corporation) provided 68 per cent of total support.



Students at Khowaja Institute of Information Technology (KIIT) learn computing skills, Hyderabad, Pakistan.

Case study

OECD: Measuring official development finance for digitalization

The ADB's support in digital technology focuses on several sectors: agriculture and food safety, education, health, public sector management, and telecommunications. ADB incorporates innovative strategies for the application of digital technologies in its policies for key sectors. Over the period 2000-2015, ADB extended 402 digital technology-related loans, grants, and technical assistance projects with a value of US\$ 11.9 billion.

Africa received the most bilateral development finance for digitalization of any region (37.9 per cent), with sub-Saharan Africa alone receiving 27.5 per cent of the total (US\$ 1.7 billion) in 2015-2019.* Asia received 25.0 per cent of bilateral development finance for digitalization activities and the Americas, Europe, the Middle East and Oceania each received around 5 per cent.

The breakdown is different for multilateral development finance. The Americas received the biggest share of total multilateral finance for digitalization – 36.6 per cent (US\$ 4.1 billion). This is due to investments by the IDB, which emerged in the estimates as the largest provider of digitalization-related development finance. Bilateral providers appear to be investing more in digital projects in Africa, followed by Asia.

Regional distribution of digitalization-related development finance by bilateral and multilateral institutions (2015-2019)

	Share of bilateral finance provided to the region (%)	Total bilateral share (%)	Share of multilateral finance provided to the region (%)	Total multilateral share (%)
Africa	5.5		1.0	
North of Sahara	4.9	37.9	8.9	25.2
South of Sahara	27.5		15.2	
America	0.3		0.8	
Caribbean and Central America	2.0	5.5	5.8	36.6
South America	3.2		30.1	
Asia	1.7		0.3	
Far East Asia	7.3	25.0	7.2	30.1
South and Central Asia	15.9		22.6	
Europe	5.1		3.5	
Middle East	4.7		2.6	
Oceania	4.8		1.8	
Developing countries unspecified	16.9		0.3	

Source: Text adapted from chapter 40 of OECD (2021b).

* See Box 8 for more information on startup hubs in Africa.

The African Union adopted the Digital Transformation Strategy for Africa (2020-2030)⁵ in 2020 with the objective:

“To harness digital technologies and innovation to transform African societies and economies to promote Africa’s integration, generate inclusive economic growth, stimulate job creation, break the digital divide, and eradicate poverty for the continent’s socio-economic development and ensure Africa’s ownership of modern tools of digital management.”

The African Development Bank (AfDB) is supporting this agenda through digital connectivity initiatives such as the Central African Backbone and the Trans-Saharan Backbone projects for fibre-optics.

The AfDB has also rolled out skills and training programmes, including Coding for Employment. The AfDB sees the key role the ICT sector can play in realizing the potential of the African Continental Free Trade Area for industrialization.

The European Union is an important development partner for Africa’s transition to the digital economy. The African–European Digital Innovation Bridge (AEDIB) was initiated by EU member states Belgium, France and Germany together with the European Commission to create opportunities for employment and to pave the way for economic growth and recovery.⁶ The AEDIB will establish a pan-African network of digital innovation hubs to encourage joint ventures and to provide technical innovation expertise and experimentation for MSMEs,

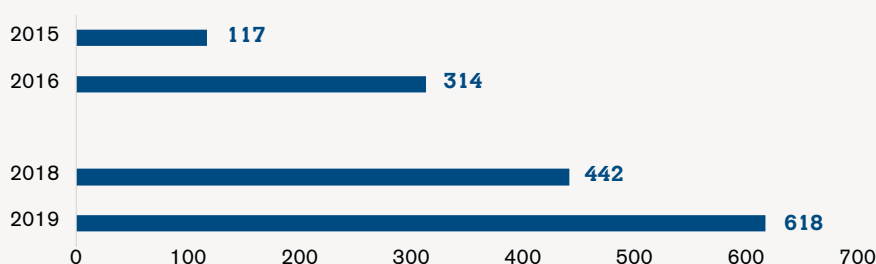
Box 8

Startup hubs in Africa

An area where private philanthropic institutions are involved is supporting technology hubs and social entrepreneurship in Africa. Startup hubs foster innovation for tech start-ups and help businesses scale and achieve their goals by offering them working spaces, electricity, internet connectivity and other forms of assistance.

The figure below shows the substantial increase in the number of tech hubs in Africa since 2015.

Number of tech hubs in Africa



Source: Text adapted from <https://qz.com/africa/2130846/swedens-norrskan-foundation-is-creating-the-largest-startup-hub>.

with a special focus on youth and women through a specialized academy.

South–south cooperation (i.e. between developing countries) and triangular cooperation (i.e. in collaboration with a developed-country government or international organization) is playing an increasingly important role (see Table 4 for details). Examples include:

- The United Nations Office for South–south Cooperation (UNOSSC) and the China Association of Trade in Services (CATIS) have organized capacity-development webinars on cross-border e-commerce.⁷
- South–south trust funds such as the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA Fund) and the India–UN Development Partnership Fund are also instrumental in testing and scaling-up digital innovations.
- Through the China–Africa Digital Innovation Partnership Program, China seeks to strengthen Africa's digital infrastructure by sharing its digital technology and promoting digital infrastructure interconnectivity (see Box 9).⁸

Box 9

China–Africa Digital Innovation Partnership Program

At the China–Africa Internet Development and Cooperation Forum held on 24 August 2021, the China–Africa Digital Innovation Partnership Program was announced. Through the programme, China seeks to strengthen Africa's digital infrastructure by sharing its digital technology and promoting digital infrastructure interconnectivity. Chinese enterprises are encouraged to work with their African counterparts to build digital infrastructure, including fibre-optic cable backbone networks, cross-border connectivity, new-generation mobile network and last mile connection.

China also agreed to support Africa in improving the digitalization of the public and private sectors, and accelerate Africa's industrialization through advanced technologies such as cloud computing, AI, the internet of things and mobile payment. E-commerce cooperation to facilitate the access of African brand products to the Chinese market through cross-border e-commerce is an area identified for cooperation.

Measures are proposed to break the “talent bottleneck” in digital innovation, including through enhanced China–Africa distance education cooperation. Digital inclusiveness is another area of cooperation that involves using digital technologies for people's wellbeing, such as traffic management, healthcare and finance, smart cities, governance and COVID-19 responses. Chinese enterprises are encouraged to support e-government, e-payment and digital currencies.

The need to build digital security and to improve Africa's digital governance capacities is also recognized through initiatives on cyberspace* and data security**.

Source: Text adapted from <https://www.mfa.gov.cn/ce/ceme//mon/wjbxw/t1901752.htm>.

* See <https://www.fmprc.gov.cn/ce/ceka/rus/sqxx/sgdt/t1842433.htm>.

** See <https://www.mfa.gov.cn/ce/ceus/eng/zgyw/t1812951.htm>.

Table 4: Aid for Trade projects and programmes for digital connectivity and e-commerce

Donors	Responses in questionnaire
Bilateral projects and programmes	
Australia	A key priority areas of its Pacific Aid for Trade strategy is e-commerce: ▪ e-commerce Aid for Trade Fund helps to build e-commerce capabilities in Asia and the Pacific, promoting the participation of MSMEs and women ▪ supported the development of the Pacific e-commerce strategy and roadmap, which complements investment in undersea cables in the region
European Union	Launched the Digital for Development (D4D) Hub in December 2020 – a global multi-stakeholder platform: ▪ a range of digital initiatives put together for coordinated impact ▪ 11 EU member states signed a letter of intent to cooperate towards a single European digital development strategy ▪ D4D Hub to form regional branches in Africa, Asia, Latin America and the Caribbean, as well as in the EU's Eastern neighbourhood
Germany	Make-IT Initiative supports the establishment of local and digital innovation for inclusive and sustainable development, enabling local actors to participate in the global economy
Republic of Korea	Economic Development Cooperation Fund (EDCF) to offer concessional loan contributions prioritizing green, digital and health sectors Improvements made to the digital connectivity of public institutions and households in El Salvador, with US\$ 35 million for resilient digital infrastructure and digital skills
United States	Highlighted USAID's five-year digital strategy, which aims: ▪ to improve development and humanitarian assistance outcomes through responsible use of digital technology ▪ to strengthen the openness, security and inclusiveness of national digital ecosystems
Multilateral projects and programmes	
International Trade Centre	Digital Transformation for Good strategy seeks to use digital technology for inclusive growth and to help clients in trade-related digital innovation
United Nations Conference on Trade and Development	Developed the eTrade for all initiative and eTrade readiness assessments together with developing countries, especially LDCs, with the aim to create action plans to enhance digital development
United Nations Development Programme	Digital strategy seeks to enhance support to e-commerce as a resilience tool for MSMEs for the COVID-19 response
United Nations Industrial Development Organization	Provides e-commerce training courses for MSMEs and has a strategic framework for the Fourth Industrial Revolution 2022–2030
World Bank Group	Trade support priority concerns the development of regulatory frameworks for e-commerce, with support to developing countries: ▪ to enhance understanding of the regulatory frameworks for e-commerce in place ▪ to assess regulatory practices for the different pillars of e-commerce regulations ▪ to consider how the policy interests and concerns of developing countries can be best addressed in international rules on e-commerce



EXPERT OPINION

Digital trade, connectivity and sustainable development

By Torbjörn Fredriksson

Head, E-commerce and Digital Economy Branch,
United Nations Conference on Trade and Development
(UNCTAD)

The COVID-19 pandemic has boosted digital transformation around the world, including an accelerated shift towards more digital trade. While digital solutions have for many businesses offered a lifeline in the midst of travel and other restrictions, far from all enterprises have been able to take advantage of them. Remaining divides in multiple areas of digital readiness make it even more important to reinforce provide effective support to countries lagging behind in order to avoid widening inequalities. The UNCTAD-led eTrade for all initiative should be effectively leveraged in this context.

In the area of trade, while global information and communications technology (ICT) goods trade has grown during the pandemic, least-developed countries (LDCs) and African countries saw their exports and imports of ICT goods fall sharply. Similarly, the growth of the share of digitally deliverable services in total services exports was considerably smaller in lower-income countries than in more advanced ones (UNCTAD, 2021). In other words, countries with low levels of income and digital readiness have fallen further behind during the pandemic, raising the risk of widening inequalities. Doubling the share of LDCs in world trade – as stipulated in United Nations Sustainable Development Goal Target 17.11 – will be very difficult unless more is done to strengthen their ability to participate in and benefit from digital trade.

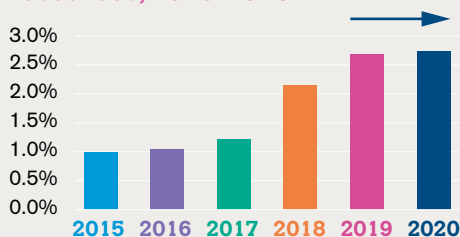
Regrettably, available data on the share of Aid for Trade funding going to the area of ICT suggest that it levelled off in 2020 at 2.7 per cent of the total, rather than continuing to grow (see figure). However, in absolute terms the resources allocated to the ICT area rose by US\$ 300 million in 2020 (UNCTAD, 2022).

Given the urgency to bridge the gaps in digital readiness and insufficient levels of development assistance, members of the international community, including bilateral donors, need to work together in innovative ways. It takes time to develop and implement solutions to improving legal and regulatory frameworks to enhance trust online, building skills for the digital economy, strengthening women digital entrepreneurship and facilitating digital financial inclusion.

The eTrade for all initiative offers practical solutions that international development partners can use when considering how to prioritize limited funds in the area of digital for development. Its online platform provides a wealth of information about 34 partner organizations and their strengths that can be leveraged for greater impact. Its listing of available technical assistance and existing products and programmes can help pinpoint areas that are currently not well covered and in which catalytic investment and initiatives could be particularly useful.

Going forward, there is still scope for strengthening co-ordination. Given the huge demands for assistance, it will be important to avoid duplication of work where possible and rather seek to implement the support needed through joint efforts. This would be an efficient use of taxpayers' money and reduce the burden on the beneficiary country governments in terms of managing relations with development partners. Effective partnering and collaboration are likely to resonate with donors, thereby hopefully helping to secure more resources and produce better results.

Share of all Aid for Trade resources, 2015-2020



Source: UNCTAD analysis based on OECD data on Aid for Trade expenditures.

Case study

Satellite observation and sustainable development outcomes

Asian Development Bank

The Earth Observation for a Transforming Asia and Pacific is an initiative of the European Space Agency (ESA) and the ADB. Satellite-based environmental information provides new ways to address development challenges (ESA/ADB, 2017).

The use of satellite observation has advanced significantly for many environmental applications. Satellites are non-intrusive, objective and consistent in recording information. Increasing emphasis is being placed on putting the technology to work in addressing societal challenges (e.g. population, food, water, energy).

The ESA scaled up the project in 2016 to focus on ten priorities: urban development; agriculture and rural development; water resources management; marine resources; risk management and disaster reduction; energy; forest management, ecosystems services; fragile and conflict states; and climate resilience and proofing.

International Monetary Fund

On 26 May 2022, a team working on a platform that uses satellite observations and big data analytics to track trade disruptions due to climate-related natural disasters won the IMF's Climate Innovation Challenge.* The seed funding awarded to the team will further develop their PortWatch platform to allow policy-makers to monitor local and global spillovers from extreme weather events and to explore exposure to port closures in the global supply chain. Small developing states will be among the key beneficiaries of this work, given their vulnerability to natural disasters, high dependence on international trade and limited statistical capacity.

* See <https://www.imf.org/en/Topics/innovation-at-the-imf/imf-climate-innovation-challenge>.



Cyclone Idai,
west of Madagascar
and heading for
Mozambique,
13 March 2019.



EXPERT OPINION

Seizing the benefits of digital trade for sustainable development

Javier Lopez Gonzalez, Senior Trade Policy Analyst,
and Silvia Sorescu, Trade Policy Analyst, Trade and Agriculture Directorate,
Organisation for Economic Co-operation and Development (OECD)

Digitalization offers new opportunities for developing countries and firms of all sizes to overcome existing trade cost disadvantages and deliver their products to a wider range of markets. More digitalization means more trade: a 10 per cent increase in digital connectivity between countries raises goods trade by nearly 2 per cent, parcels trade by 4 per cent and trade in services by over 3 per cent. Importantly, these positive effects emerge across all sectors.

Access to cheaper, more sophisticated and diverse digital inputs – including productivity enhancing software, communications technology or e-payment services – can help firms deliver their output to a broader customer base. Access to digitally deliverable business services, such as internet banking or online accounting services, also helps drive export competitiveness, especially in lower middle-income and low-income countries.

Digital trade facilitation tools can help reduce the costs of trade at different stages of the supply chain. Greater use of such tools, including through the sustained implementation of the WTO's Trade Facilitation Agreement, can support MSMEs in developing countries to engage in trade and increase the value of their exports and imports by more than 4.5 per cent.

However, the benefits of digitalization for trade, and of trade for digitalization, are not automatic. A range of policy levers are needed to promote greater participation and benefits, including

through new approaches to market openness, and including for developing countries.

Action is required across a number of policy areas, from building digital skills and addressing digital divides to improving access to ICT goods and services and the affordability and reliability of internet connections. Taking a holistic approach to market openness means understanding how trade policy issues interact with other policy domains such as privacy and data protection, innovation, competition, infrastructure, connectivity, taxation or skills.

Market openness also needs to take into consideration the full range of measures that affect any particular transaction. For instance, while internet access is a necessary condition for digitally enabled trade in goods to flourish, it is not sufficient on its own. If transportation, logistics or e-payment services in the receiving or delivering country are costly due to services trade restrictions, or if goods are held up at the border by inefficient procedures, then the benefits of digital trade may not materialize.

Ensuring that benefits are realized and shared more widely requires a regulatory environment that allows governments, in developed and developing countries alike, to respond to new challenges raised by digitalization. Discussions on digital trade are ongoing, such as the WTO Joint Statement Initiative (JSI) on E-commerce and across a number of trade agreements. The recent

OECD Digital Trade Inventory highlights that there is already substantial uptake of instruments being discussed at the JSI in many developing economies. Moreover, some regional trade agreements or co-operation fora that include developing economies are considering new rules of varying “depth and density” in areas of importance to digital trade.

It is important that developing countries participate in ongoing digital trade discussions and help shape the rules that will underpin a growing part of their economies, as cross-border regulatory divergences and lack of interoperability can result in additional transaction costs where activities need to be aligned across multiple regulatory frameworks.

Strengthening Aid for Trade commitments in categories such as communications and trade policy and regulations can play a key role in supporting countries to close digital connectivity and skills gaps and to address technical and regulatory challenges.

Digital trade allows the owner in Kenya to grow her business online.



Digital connectivity, e-commerce and the transition to sustainable development

The ITU reports that ICT has the potential to help to address the most pressing climate concerns and to enable the much-needed shift towards a circular economy (ITU, 2019). ICT can be used to monitor climate change (i.e. using observations from space to track deforestation) and to mitigate – and adapt to – the effects of climate change (i.e. developing smart electric grids, improving early warning systems in response to more frequent extreme weather events).

Moving to digital approaches can promote better accessibility, efficiency and sustainability. Responses to the questionnaire indicated how digital connectivity and ICT can support sustainable development outcomes, including (see Table 5 for details):

- providing climatic, hydrometeorological and meteo-marine data for early warnings of extreme weather events;
- making weather forecasting available to farmers on cellular devices;
- boosting agricultural productivity by using sensors to monitor relative humidity and soil fertility;
- using digitalization to provide services that offer a range of other benefits (e.g. improved transport mobility reduces energy consumption, online health and education services, e-commerce to rural areas with the help of digital connectivity);
- utilizing digital connectivity to help reduce relatively large carbon footprints in service delivery, economic transactions, logistics and energy use.

An important application of digital technology in the area of sustainable development cited in the questionnaire is traceability. The Open Timber Portal is an initiative launched by the World Resources Institute to create an open data platform which provides information on forest producers. The data can be used, for example,

to monitor enforcement of the EU Timber Regulation⁹ as part of the voluntary partnership agreement¹⁰ process between the producer country and the European Union.

Responses to the questionnaire indicate that it is the services sector where digital connectivity could best support the transition to sustainable development (see Figure 5). Whilst recognizing that answers are context specific, the European Union notes that increased digital connectivity could improve productivity, job creation and the move towards sustainable development in all sectors; however, some sectors stand out more than others. In particular, the services sector includes IT services and digital financial access, which are enablers for competitiveness in other sectors.

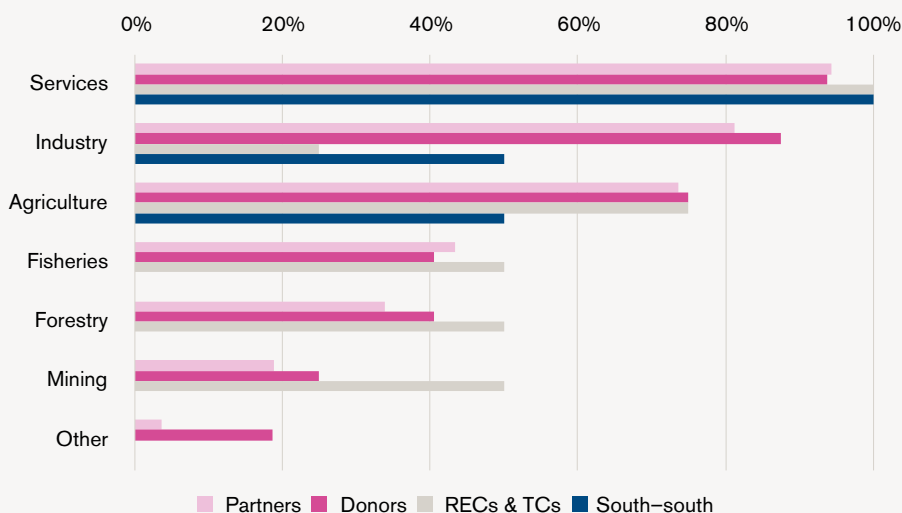
Mauritius notes the role that digital platforms can play in informing the public about eco-friendly and sustainable products. The public can change their consumption patterns by choosing the most eco-friendly product for consumption. However, responses to the questionnaire also refer to the negative environmental impacts of digital connectivity and ICT products, as discussed by the ITU (2019):

"ICTs also consume energy and are, therefore, likely to contribute to global emissions and waste during their production, usage and obsolescence, and they are dependent on the source of the energy being used. For example, technological advancements – and the proliferation of frontier technologies (such as artificial intelligence, the Internet of Things, 5G, digital twins, robotics, etc.), in particular – are contributing to the growing number of data centres and the concern over their energy consumption, which is increasing at an alarming rate. The growing number of ICT-related services is also increasing the environmental footprint of the ICT sector, which calls for action to monitor this trend."

Table 5: Digital connectivity, e-commerce and the transition to sustainable development

Regions and donors	Responses in questionnaire
Africa	
Madagascar	Digital connectivity offers promise in the agriculture and fisheries sector
Mali	Introduction of ICT can boost agricultural productivity by: ▪ using sensors to monitor relative humidity and soil fertility ▪ using of probes to measure the density of fish or fishery resources ▪ automating industrial and agricultural production ▪ developing electronic commerce
Mauritius	The Economic Development Board platform can facilitate ease of doing business for attracting potential investors in the field of recycling The Consumer Information System is a digital platform to inform the public about environmental friendly and sustainable products
Asia and the Pacific	
Indonesia	Start-ups providing funding and training for agriculture and fisheries sector to use technology, as well as connecting local fishermen to a wider market using digital technology Provision of services with the help of digitalization and digital connectivity can: ▪ reduce energy consumption in public transport and hence reduce reliance on unsustainable fossil fuels ▪ provide health and education services to rural populations ▪ disseminate e-commerce to rural areas ▪ empower the digitization of MSMEs as a form of digital transformation Aims to be the “world’s food barn” by 2045 and has several policies to maintain a stable food security chain
Pakistan	Weather forecasting made digitally available to farmers on their cellular devices Beneficiaries of government programmes identified through the database Kissan card scheme
Latin America and the Caribbean	
Colombia	Adaptation to climate change strategy seeks to use digital connectivity and to promote ICT tools for climate change mitigation and adaptation, such as making climatic, hydrometeorological and meteo-marine information available for early warnings of extreme weather events
Donors	
Australia	Moving to digital approaches could promote better accessibility, efficiency and sustainability
Pacific Islands Forum Secretariat	Digital connectivity can: ▪ be used to monitor activities that threaten to deplete natural resources (e.g. fisheries, forestry, mining) ▪ enable sustainable small-scale tourism ▪ help farmers in remote rural areas to pursue sustainable agriculture practices
Sweden	Sida – The Swedish International Development Cooperation Agency – supports the International Trade Centre (ITC) in initiatives such as GreenToCompete and SheTrades
Chinese Taipei	The product trace system iFarm is being developed

Figure 5: Sectors in which digital connectivity could best support the transition to sustainable development



Source: WTO Secretariat.

Digital connectivity and gender equality and women's economic empowerment

Students at Tailulu College make the most of high-speed broadband services, Nuku'alofa, Tonga.

Digital connectivity as a driver of women's economic empowerment is the message which emerges strongly from the responses to the questionnaire. Where ICT and digital technology are introduced to meet the needs of women and girls, they offer great potential to reduce gender gaps (ADB, 2016a):

"The sector is a growing source of full-time and part-time employment, particularly for young women and men in urban centers. While supervisory and management positions tend to be dominated by men, women's share of ICT jobs at all levels is increasing."

A report by GSM Association estimates that in low and middle-income countries, another 112



million women started using mobile internet in 2020 (GSMA, 2021b). There has been little change in the mobile internet gender gap in recent years, with the exception of South Asia, where it has narrowed, albeit from a high disparity.

Responses to the questionnaire refer to the digital gender divide in a national context (see Figure 6). Among the main difficulties influencing women's access to digital technology are the following (see Table 6 for details):

- low school attendance rates for girls;
- low purchasing power for women to acquire devices;
- difficulties for uneducated women with the functionality and operation of related technologies;
- negative attitude of family members towards women accessing digital technology;
- lack of relevant content for women;
- online and offline vulnerability felt by women;
- socio-cultural barriers;
- lack of confidence for some women in using digital technologies;
- lower levels of ICT infrastructure in rural areas, where many women reside.

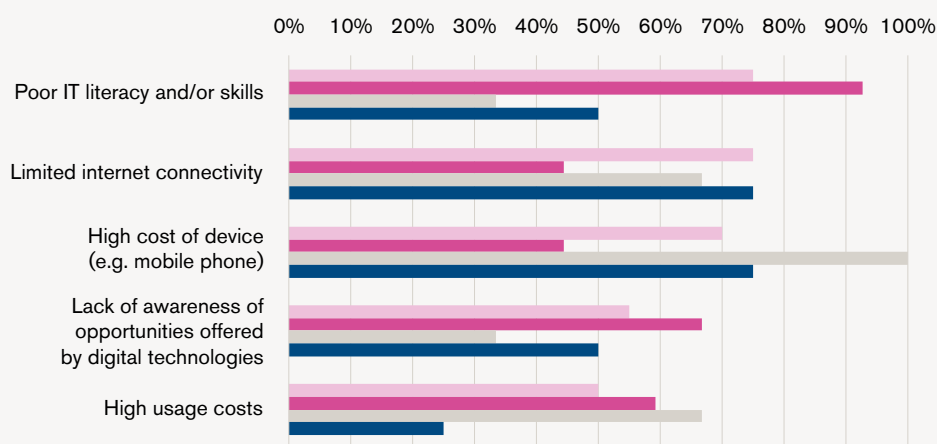
More than 70 per cent of the responses to the questionnaire highlight that women face particular difficulties in accessing digital technologies. This is in line with studies on the digital divide women face to access the internet:

"According to ITU's latest data, the proportion of women using the Internet globally amounts to 48 per cent, compared to 55 per cent of men. In relative terms, this means that the global Internet use gender gap stands at 12.5 per cent."¹¹

In some regions, this gender gap is more pronounced. For example, the ADB finds digital gender gaps prevalent in Asia and the Pacific, with a 17 per cent gap between women's and men's use of the internet. In 2020, the Inter-American Development Bank reported on research on the digital exclusion of women in rural areas (Rotundi *et al.*, 2020):

"In 17 of the 23 Latin American and Caribbean countries analyzed, the number of women who report owning a mobile phone is lower compared to men. The greater the gender gap with respect to mobile phone ownership, the lower women's participation in the workforce. Rural women are the least connected group."¹²

Figure 6: Most commonly cited barriers by respondents that prevent women from accessing digital technology



Source: WTO Secretariat.

Partners Donors RECs & TCs South-south

Table 6: Digital connectivity and gender equality and women's economic empowerment

Regions and donors	Responses in questionnaire
Africa	
Mali	The three main difficulties influencing women's access to digital technology: ▪ low school attendance rates ▪ low purchasing power to acquire devices ▪ difficulties with the functionality and operation of related technologies The support provided effectively corresponds to the objectives and priorities of women in terms of trade, which are: ▪ strengthening women's economic empowerment ▪ fostering the socio-economic integration of women with equal access to employment opportunities and productive factors ▪ improving the institutional, legal and organizational environment ▪ promoting the productivity and competitiveness of women's businesses
Uganda	Obstacles largely emanate from: ▪ patriarchal, institutionalized work ethics ▪ limited physical ICT facilities ▪ individual characteristics, perceptions and attitudes
Asia and the Pacific	
Pakistan	Alignment with trade priorities and objectives is proven by incorporation of gender balances and empowerment in national plans such as the Strategic Trade Policy Framework, e-commerce policy and MSME policy
Sri Lanka	Additional barriers that prevent women accessing digital technology include: ▪ negative attitude of family members towards women accessing digital technology ▪ lack of relevant content ▪ online and offline vulnerability ▪ socio-cultural barriers ▪ lack of confidence ▪ lower IT literacy
Latin America and the Caribbean	
Mexico	2019 economic census, with regard to the gender digital divide and businesswomen in more than 4 million businesses surveyed, finds: ▪ 10.3 per cent of businesses owned by women had computer equipment (compared to 20.3 per cent for men) ▪ 8.7 per cent of businesses owned by women used the Internet (compared to 17.5 per cent of men)
Peru	Digital skills gap is one of the barriers to access ICTs and affects women to a greater extent and that also leads to segregation both in the type of work that men and women do and in the reasons that lead them to seek employment within digital platforms
Donors	
Australia	Women and girls have less, or restricted, access to digital technologies due to socio-cultural norms that influence education, resource and employment decisions

Donors and regions	Responses in questionnaire
Donors	
Canada	A project conducted by the Montreal Institute for Genocide and Human Rights Studies reveals the growing amount of gendered online abuse and disinformation and that this harmful content aims to threaten and dehumanize women and is an obstacle to women's political participation The underrepresentation of women in science and technology industries may impact the design of technologies and create a male-centric bias in how technology curates information Through the Feminist International Assistance Policy, Canada seeks to address the gender digital divide, including in relation to physical access, education and training in digital ecosystems, and the unique experiences of women and girls online
Germany	Barriers are interrelated and include: ▪ limiting socio-cultural gender biases ▪ lack of e-literacy and digital skills (including digital financial literacy) ▪ underrepresentation of women in the IT sector ▪ limited access to and affordability of the internet
Japan	Higher barriers and constraints for women and girls: ▪ to access the internet (including affordability of technology) ▪ to develop digital skills ▪ to find employment in the ICT sector Security and privacy concerns from harassment and violence in cyberspace discourage women from becoming active in internet use The Japan International Cooperation Agency believes that addressing the gender digital divide is imperative for ensuring women and girls gain better access to healthcare, education and jobs and to improve civic participation
United Nations Conference on Trade and Development	Digital sector remains widely male-dominated and women still face obstacles to making the most of the digital transformation Pre-existing gender inequalities make it more difficult for women to access digital technology: ▪ gender bias ▪ lower participation in decision-making processes ▪ more limited digital skills ▪ lack of trust ▪ unequal access to funding COVID-19 pandemic accelerated digitalization and exacerbated the need to address persistent bottlenecks and to give more prominent consideration to gender issues in the digital economy
United Nations Industrial Development Organization	Bridging the digital gender divide is a prerequisite for achieving sustainable economic growth and prosperity.
World Bank	Through the Trade and Gender Study in the Pacific Island region, the WBG found that of the women respondents across the five surveyed countries, fewer women are aware that import and export declarations can be submitted electronically Benefits to traders include faster clearance times, transparent and predictable processes, and less bureaucracy More women traders tend to have difficulty in finding information on border regulations and procedures than male counterparts

Case study

USAID: Why the gender digital divide exists

The key reasons for women's and girls' limited access to and use of mobile technology and the internet are interrelated and complex but are grounded in global gender inequality. The main barriers can be categorized into four broad areas.

Affordability

Because of social norms, women are often less financially independent than men and have lower levels of income. Since women are thus more price-sensitive than men, they tend to have less sophisticated devices and poorer user experiences. They also have less disposable income to spend on mobile or internet services.



Young women attend an ICT course in Mauritius.

Availability

Low levels of network quality and coverage create additional barriers for women and girls. Women's choice of network is often restricted by factors such as more basic handsets (or lower-end smartphones), cost of data and fewer choices of provider.

Ability

Women's use of mobile and internet platforms is often limited by their lower levels of technical and digital literacy skills, as well as by their lack of confidence in using technology and the lack of relevant content for women's needs, especially in local languages. There is strong evidence that mobile and internet access and use follows broader social patterns of deep social exclusion of women and girls; women are disadvantaged in their access and use of technology because of underlying social conditions, including lower levels of education.

Appetite

Safety, security, and harassment is increasingly a major concern for women more than for men, and it acts as a serious deterrent to women's and girls' technology use. This includes a fear of harassment from strangers (e.g. cyberbullying and harassment, unsolicited calls, texts and online messages), as well as concerns about online data security and privacy. Women also tend to report a lower level of understanding of the potential of the internet, and a perceived lack of value.

Source: Adapted from Tyers (2020).

Endnotes

1. See <https://www.itu.int/en/mediacentre/Pages/PR-2021-11-29-FactsFigures.aspx>.
2. See <https://www.ifc.org/wps/wcm/connect/e358c23f-afe3-49c5-a509-034257688580/e-Conomy-Africa-2020.pdf?MOD=AJPERES&CVID=nmuGYF2>.
3. See https://www.wto.org/english/news_e/news22_e/serv_01feb22_e.htm.
4. *Ibid.*
5. See <https://au.int/sites/default/files/documents/38507-doc-dts-english.pdf>.
6. See <https://futurium.ec.europa.eu/en/Digital4Development/discussion/flagship-african-european-digital-innovation-bridge-aedib>.
7. See <https://www.southsouth-galaxy.org/blog/accelerating-digital-transformation-through-south-south-and-triangular-cooperation>.
8. See <https://www.mfa.gov.cn/ce/ceme//mon/wjbxw/t1901752.htm>.
9. See *Regulation (EU) No. 995/2010 of the European Parliament and of the Council of 20 October 2010 laying down the obligations of operators who place timber and timber products on the market*, 12 November 2010.
10. A voluntary partnership agreement is a legally binding trade agreement between the European Union and a timber-exporting country outside the European Union that ensures that all the timber and timber products destined for the EU market comply with the laws of the exporting country.
11. See <https://www.itu.int/en/mediacentre/backgrounders/Pages/bridging-the-gender-divide.aspx>.
12. See <https://www.iadb.org/en/news/digital-exclusion-obstacle-hinders-rural-womens-work>.

Maize farmers, Mawathawewa,
Sri Lanka.

A woman is the central figure, smiling broadly at the camera. She is wearing a light pink bucket hat, a vibrant floral-patterned scarf, and a dark blue long-sleeved shirt. A large, full, cream-colored sack of maize is balanced on her back, and she holds its top with her right hand. The background is a field of dry, harvested maize stalks under a bright, slightly cloudy sky. The image is overlaid with several white geometric shapes: a large triangle on the left, a rectangle at the bottom left, and a rectangle at the bottom center.

**Gender equality,
women's
economic
empowerment
and sustainable
trade**



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Challenges in integrating gender into Aid for Trade



Aid for Trade helps advance women's economic empowerment

96%

of developing countries recognize the role it can play to address trade constraints faced by women

Women's economic empowerment is being included in Aid for Trade strategies ...

92%

of developing countries include women's economic empowerment in development strategies

... and trade development strategies

42%

of developing countries include women's economic empowerment considerations in trade development and export strategies



83%

of donors financed projects for women's economic empowerment **with a focus on boosting women's capacity to engage in trade**



75%

of donors financed training programmes and support of women entrepreneurs



92%

of developing countries identify services and agriculture sector for future support for women's economic empowerment and



83%

indicate industries

Data collection remains a challenge...



62%

of developing countries collect gender-disaggregated data on trade, but not in a systematic way

Only



50%

of respondents have a framework to monitor and evaluate the results of Aid for Trade programmes supporting women

Top constraints women face in developing countries:

- difficulties in accessing financial services **87%**
- informal employment **75%**
- lack of access to digital services **49%**

Gender equality has been an integral part of the Aid for Trade Initiative since its inception. The final report¹ of the WTO's Aid for Trade Task Force, published in 2006, recommended that "Aid for Trade should be rendered in a coherent manner taking full account, *inter alia*, of the gender perspective and of the overall goal of sustainable development."

The WTO Secretariat, in charge of conducting the 2022 joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise, has for the first time reformed the data collection survey questionnaire to better capture the effects Aid for Trade has had on gender equality and women's economic empowerment as well as gather new data absent from previous Aid for Trade M&E exercises.

Overall, the data collected demonstrate how Aid for Trade promotes women's economic empowerment, how donors and partner countries are aligned in their Aid for Trade objectives and priorities with regards to gender issues (which was previously not the case) and how integrating gender remains a challenge, especially because governments lack sex-disaggregated trade data and collection capacity and because, for the most part, do not assess the impact of their Aid for Trade programmes.

Using the responses given in the questionnaire, this chapter presents an analysis of the new data and information collected through the M&E exercise, examines how gender has been included into Aid for Trade programmes and highlights general trends in the findings and examples based on additional information.

The results of the M&E exercise have been divided into the following sections:

- integrating gender policies into development strategies and legal instruments;
- promoting women's economic empowerment in Aid for Trade;
- Aid for Trade programme categories relating to gender;
- Aid for Trade constraints and donor–partner alignment;

- challenges of integrating gender into Aid for Trade.

This chapter also includes the following case studies:

- Benin: gender evaluation methods in Aid for Trade programmes;
- Colombia: integrating gender issues into policy instruments;
- European Union: EU gender impact assessment – what gets measured gets managed;
- Peru: integrating gender issues in trade and trade-related policies.

Rice field being harvested in Ngazi, Democratic Republic of the Congo.



Integrating gender policies into development strategies and legal instruments

Both donors and partners countries develop dedicated Aid for Trade programmes focusing on gender. About 92 per cent of the 53 developing country participants consider economic empowerment a priority in their development plans and objectives. For Africa and Asia and the Pacific, the response was 100 per cent.

Similarly, 90 per cent of donors have integrated gender issues in their trade-related development aid. This was mirrored in the responses from regional respondents and south–south partners.

This positive trend continues from the 2019 M&E exercise, which found that women's economic empowerment was also high on both donor (84 per cent) and participant country (85 per cent) agendas. Indeed, WTO research confirms that this focus on addressing women's economic empowerment through Aid for Trade has been steadily growing since 2007 (der Boghossian, 2019).

A World Bank study from 2011 also demonstrated that Aid for Trade interventions could help to support women traders and entrepreneurs. It identified key obstacles to trade women face to increasing their access to markets and hence income (Gamberoni and Guilherme, 2011).

In particular, Aid for Trade which supports trade facilitation could help women entrepreneurs to increase their participation in world trade. The World Bank study was published at a time when countries were beginning to integrate gender issues more in Aid for Trade objectives and refocusing programmes towards gender equality (der Boghossian, 2019).

Countries integrate gender issues into a wide range of instruments and policies, starting with their overarching development strategies. They develop dedicated instruments which focus on

gender equality and address gender issues within a specific policy scope, focusing on areas such as (see Table 1 for details):

- supporting COVID-19 recovery;
- addressing gender issues relating to climate change, the environment and natural resources;
- promoting e-commerce and digitalization;
- integrating gender issues in the development of the services sector;
- fostering inclusive finance and micro financing for grassroots women;
- supporting informal cross-border traders;
- enhancing industrial development and female entrepreneurship.

Countries such as Guinea-Bissau and Zambia include gender issues in strategies that have an impact at the local level. Many countries actually combine development strategies with a gender equality policy, thus reinforcing both instruments. For example, Colombia combines two or three types of instrument to integrate gender into Aid for Trade strategies and programmes (see case study).

Mauritius, Pakistan and Vanuatu belong to the few countries which directly integrate gender issues into trade policies and export strategies. Integrating gender issues into trade policy, however, remains a challenge for most countries. When it does occur, countries mostly integrate trade and gender issues into entrepreneurship strategies and support for women exporters (Guatemala, Paraguay, Uganda).

Table 1: Integrating gender policies into development strategies

Regions	Responses in questionnaire
Africa	
Democratic Republic of the Congo	Gender equality included in the constitution
Guinea-Bissau	Integrates sex-disaggregated data in trade development strategy
Zambia	Gender issues in strategies and policies that impact at the local level
Asia and the Pacific	
Pakistan	Aid for Trade viewed as a variable with immense significance in integrating women within the current market structure, and: ▪ can open newer segments of the economy to young women in particular (e.g. e-commerce), where the gains can be more significant and result in better social mobility ▪ can substitute technical or knowledge shortfalls a developing country may have in realizing the true economic potential of women
Latin America and the Caribbean	
Saint Lucia	Gender inclusion strategy to support gender perspectives in policy development Ministries and departments to pivot towards a transparent and data-driven culture that utilizes gender analysis in planning Capacity development to be a means to an end by ensuring that practical opportunities for trade are built into aid to increase the sustainability of training

Smallholder farmers generate more income through increased agriculture products, Thbong Khmum, Cambodia.



Case study

Colombia: Integrating gender issues into policy instruments

National development plan

Colombia integrates gender issues into several policy instruments. The national development plan for 2018-2022 includes a chapter dedicated to women's economic empowerment.* It guarantees gender equality and non-discrimination through dedicated strategies and across different subject areas (e.g. education, employment).

Colombia also recognizes women in rural areas as agents for structural transformation and supports equitable rural development by providing income generation and better access to finance and by improving conditions for employability and entrepreneurship.

Equipares programme

Together with the United Nations Development Programme (UNDP), Colombia has developed the Equipares programme:

- to eliminate gender-based discrimination in employment and wages;
- to promote gender-equal conditions;
- to prevent, eliminate and penalize all forms of violence against women in micro, small and medium-sized enterprises (MSMEs).

The Equipares programme also promotes flexible working conditions for women (e.g. reduced working hours, voluntary extension of maternity and paternity leave, teleworking).



Woman farmer raises poultry as part of producer's alliance in La Eugenia, Colombia

National public policy on gender equality

In 2012, Colombia adopted its 10-year national public policy on gender equality to guide actions on women's rights in Colombia, including economic empowerment.** Colombia is currently working on a new national policy which will focus on social and productive development issues relating to gender, including:

- eliminating discriminatory practices against women in the labour market;
- encouraging business development and foreign trade;
- promoting female entrepreneurship;
- improving women's access to finance;
- closing the digital divide.

Gender issues incorporated in other public policies

Other public policies incorporate gender issues, in particular with regard to women's economic empowerment, such as:

- the national entrepreneurship policy***, which proposes a comprehensive technical assistance strategy dedicated to supporting the development of women entrepreneurs;
- the Women Entrepreneurs Fund+ aims to finance and strengthen the capacities of women entrepreneurs;
- the policy for the reactivation, revitalization and sustainable and inclusive growth** focuses on income generation for rural women, with an emphasis on the sustainability of rural enterprises and the development of training programmes.

Gender equality is also a central objective incorporated in a cross-cutting manner in other sectoral policies such as the programmes carried out by the Office of the Vice-Presidency and the Presidential Advisory Office on Equity for Women, which focus on:

- decent working conditions for employed women;
- the promotion of capacity building for women entrepreneurs and women's participation in non-traditional sectors such as transport and infrastructure, mines and energy, and the green economy.

Colombia has also set gender equity as a central objective in the implementation of the United Nations Sustainable Development Goals (SDGs), defining specific indicators and targets relating to women's employability, income gaps and access to technology.

* See <https://colaboracion.dnp.gov.co/CDT/Prensa/BasesPND2018-2022n.pdf>.

** See <https://colaboracion.dnp.gov.co/cdt/conpes/social/161.pdf>.

*** See <https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/4011.pdf>.

+ See <https://www.apccolombia.gov.co/proyectos/fondo-mujer-emprende>.

** See <https://colaboracion.dnp.gov.co/CDT/Conpes/Econ%C3%B3micos/4023.pdf>.

Case study

Peru: Integrating gender issues in trade and trade-related policies

National gender equality policy

Peru has adopted a set of instruments to better address gender inequalities and to support women's economic empowerment through trade. For example, the 2019 national gender equality policy* addresses structural discrimination against women. One of the priority objectives guarantees the exercise of women's economic and social rights, including:

- the implementation of the national care system with a gender focus;
- the increase of women's access to and control over natural and productive resources;
- the increase of women's formal participation in the labour market;
- measures to ensure women's social rights.

Technical guidelines to promote the economic autonomy of women

In 2021, Peru developed technical guidelines to promote the economic autonomy of women in their diversity** with the main objective to establish provisions that allow public and private institutions to implement strategies that promote women's economic empowerment and equal rights and opportunities in employment and the social sphere, such as:

- increasing information on women's economic empowerment
- promoting training programmes for women workers;
- eliminating gender-based discrimination in employment;
- reconciliation of family responsibilities and professional advancement for women;
- promoting female entrepreneurship;
- ensuring women's equal access to land and resources;
- increasing women's access to finance.

PROMPERÚ

Aligned with the above instruments, the Commission for the Promotion of Peru for Exports and Tourism (PROMPERÚ)*** has been implementing the programme Ella Exporta, which is dedicated to women entrepreneurs to build their capacity in business and export management. Since 2017, more than 100 women entrepreneurs have participated in training on export regulations, procedures and costs, access to finance, corporate social responsibility, workplace safety, digital marketing and negotiations. Peru has also been monitoring the integration of participants in trade to assess the effectiveness of the programme, which has shown positive results.

Aid for Trade support

Peru has requested Aid for Trade support to enhance women's participation in trade. For example, Peru is implementing a programme financed by Australia's Direct Aid Programme to develop fashion in the Gamarra textile and clothing conglomerate and to strengthen the capacity of women-led businesses in this sector. Through this programme, women entrepreneurs receive training on design and management techniques to enhance their competitiveness in international markets.

The programme Women in Trade for Inclusive and Sustainable Growth, financed by the Trade Facilitation Office of Canada and the Global Alliance for Trade Facilitation, aims at increasing women's participation in trade through three actions:

- strengthening PROMPERÚ's capacities on the issue of gender equality and social inclusion;
- strengthening the capacities of 113 businesses in the agricultural sector, of which 86 are women-led;
- inviting 40 of these businesses to international fairs or trade missions in Canada.

With the objective to integrate gender in all Peru's policies and programmes, the Government, supported by the Inter-American Development Bank (IDB), is currently considering how to apply gender lens to its national export plan to foster women's access to trade opportunities.

* See https://cdn.www.gob.pe/uploads/document/file/305292/ds_008_2019_mimp.pdf.

** See https://cdn.www.gob.pe/uploads/document/file/2035718/rm_196_2021_mimp.pdf.

*** See <https://institucional.promperu.gob.pe>.

Andean farmer shares her knowledge of indigenous tuber crops in Peru.



Spotlight: WTO members' current work on Aid for Trade and gender

For the last five years, as part of their work in the WTO, members have been examining the gender issues in Aid for Trade within the WTO Informal Working Group on Trade and Gender, which was established on 23 September 2020 and which brings together WTO members and observers seeking to intensify efforts to increase women's participation in global trade.

The Informal Working Group recognizes the essential role of Aid for Trade in women's economic empowerment and has established it as one of its four work pillars:

- to share best practice on removing barriers to women's participation in trade;
- to exchange views on how to apply a "gender lens" to the work of the WTO;
- to review gender-related reports produced by the WTO Secretariat;
- to discuss how women may benefit from the Aid for Trade Initiative.

Participation in the Informal Working Group goes beyond collecting best practices and sharing experiences. The joint work of WTO members and observers seeks to integrate gender-related issues into the Aid for Trade Initiative to foster gender equality and women's economic empowerment.

During dedicated discussions held in 2021, WTO members looked at:

- the current increase of some donors of development aid focused on trade;
- areas of Aid for Trade focus pertaining to gender (e.g. programmes targeting agriculture);
- specific target groups of Aid for Trade programmes (e.g. women entrepreneurs);
- M&E processes of gender-related Aid for Trade programmes;
- gender mainstreaming practices in Aid for Trade programmes.

Currently, the Informal Working Group includes 125 WTO members and 7 observer governments.

* For more information, see https://www.wto.org/english/tratop_e/womenandtrade_e/iwg_trade_gender_e.htm.



Real estate construction firm,
Addis Ababa, Ethiopia.

Promoting women's economic empowerment in Aid for Trade

There is wide recognition among countries that Aid for Trade can support and strengthen women's economic and financial independence, which in turn contributes to economic growth through job creation, increased income, entrepreneurship and economic diversification. Research by the World Bank and the WTO also demonstrates that link and establishes that firms trading globally or involved in global value chains employ more women and pay them better than companies focusing on domestic markets (World Bank/WTO, 2020). Within this, Aid for Trade has its role to play.

Many Aid for Trade programmes focus on the following areas (see Table 2 for details):

- specific areas (e.g. infrastructure development, trade facilitation, preparation of businesses for exporting, access to trade finance, elimination of violence against women, adaptation to climate change, provision of digital platforms);
- economic sectors where the proportion of women workers is high (e.g. apparel and textiles, tourism, agriculture);
- targeted groups of women (e.g. women entrepreneurs, women farmers).

“Aid for Trade can support and strengthen women's economic and financial independence, which in turn contributes to economic growth.”

The vast majority of Aid for Trade programmes with a gender component target women entrepreneurs and farmers, in particular support for owners and managers of MSMEs (der Boghossian, 2019).

Among the target beneficiaries highlighted in the M&E exercise were women entrepreneurs, smallholder farmers and processed food producers, as well as female informal cross-border food traders. For example, Germany supports programmes that promote gender-sensitive and sustainable innovations in the agriculture and food sector, which supports women farmers in scaling up their activities and fosters their trading capacity.

This focus on small businesses and the agriculture sector is not surprising. Data from the WTO regional surveys conducted on 800 women entrepreneurs in East Africa, South Asia and Latin America in 2019 and 2020 show that 46 per cent of businesses owned by women are typically micro-enterprises with fewer than 10 employees and that 47 per cent of women entrepreneurs work in agriculture.²

Women play a central role in agriculture: in Africa, 53 per cent of women are employed in agriculture; and in South Asia, it is 57 per cent.³ About 58 million women in the rural areas of Latin America and the Caribbean are responsible for food security and preserving biodiversity.⁴

Moreover, some developing countries have a more innovative approach about future support by involving small-scale businesswomen. In the fishing sector for instance, Madagascar prioritizes the artisanal processing of fishing products; in the mining sector, support in extractive activities should be directed towards small and artisanal mines and MSMEs managed by women should be promoted.

Scaling up women's activities is also a future focus identified by partner countries. For instance, Lesotho said that Aid for Trade should focus more on supporting women in the transition from subsistence agriculture to commercial farming and empower women to become involved in supply chains.

Capacity building

While targeting women entrepreneurs and farmers, Aid for Trade programmes focus on capacity building in line with women's skills development needs (see Box 1).

With the objective of strengthening productivity, the programmes mostly focus on:

- ensuring compliance with product standards;
- increasing product quality;
- improving financial and digital literacy;
- learning business management skills and how to access information about border clearance procedures and licensing requirements.

Mainstreaming gender into development strategies is a continual process, and policies are frequently updated. Some of the gender strategies or plans cited by respondents have recently expired or are about to end. Thus, the question remains about how the impact of these actions are evaluated and the lessons integrated into future plans and strategies (discussed in final section).

Box 1

TradeMark East Africa

Established in 2010, TradeMark East Africa, a not-for-profit Aid for Trade organization, has developed programmes to promote women's economic empowerment in East Africa through increased trade.

Out of its total funding of US\$ 80 million, the organization has dedicated around US\$ 15 million to women entrepreneurs, mainly focusing on technical assistance and capacity-building activities. The objectives of its projects include:

- enhancing digital skills and business management;
- providing greater market access for women entrepreneurs;
- providing information on trade requirements and procedures;
- assisting women traders in obtaining standards certifications;
- advocating trade facilitation measures.



A fresh produce trader in Arusha, Tanzania.

Specific sectors

Many Aid for Trade programmes focus on specific sectors where female labour is concentrated, such as apparel and textiles in Peru, shea nuts and shea butter in Mali, honey in Zambia and cashew nuts in Burkina Faso.

Interestingly, programmes focus less in the services sector, where most women work,⁵ even if some African countries intend to increase women's participation in services sectors through Aid for Trade.

Tourism is the exception and is one focus of gender-related Aid for Trade programmes. It is identified by both partner countries and donors as a key sector where Aid for Trade can help women.

The World Tourism Organization reports that 54 per cent of people employed in tourism are women, and in some sectors women comprise a significantly higher proportion (e.g. hotel and restaurant sector; UNWTO, 2019). A World Bank (2017) study finds:

"In Indonesia, Malaysia, the Philippines, and Thailand, more than half of tourism businesses are run by women. In Latin America, 51% of tourism businesses are managed by women, more than double the proportion in other sectors. In Nicaragua and Panama, more than 70% of business owners [in tourism] are women, compared to just over 20% in other sectors."

The COVID-19 pandemic has devastated this sector. Actually, the sectors where most of the business closures globally took place because of the COVID-19 pandemic were travel and tourism (54 per cent) and hospitality and event services (47 per cent), which are often linked to tourism (Facebook, 2021).

Women have been disproportionately impacted by the COVID-19 pandemic, as they own businesses or work in sectors that require face-to-face interactions and in sectors where demand fell sharply such as tourism, textiles and domestic work. Women are also more

likely to work in informal employment, where remuneration is lower and assistance during the pandemic was less likely to reach them. Aid for Trade can be a powerful tool for advancing women's economic empowerment and thus, accelerating a post-COVID recovery.

Within this context, some countries are promoting forward-looking, innovative tourism projects. For example, a village tourism project in Saint Lucia seeks to diversify tourism towards rural communities, taking advantage of and enhancing existing natural ecosystems. The project aims to provide livelihoods for women and youth while building their capacity and skills in the services industry.

Women's leadership in designing Aid for Trade programmes

It is not enough to develop programmes with a gender aspect. To maximize gender-related Aid for Trade initiatives, women must be part of the decision-making process in the design, implementation, M&E and impact assessment of the programmes.

The 2022 M&E exercise highlights this point for the first time. Advancing women at leadership positions in the public and private spheres is essential to ensure that gender equality is meaningfully integrated into policy and decision-making. Gender diversity in decision-making bodies enhances the promotion of women's and children's interests and generates more public trust (OECD/CAWTAR, 2014). Gender equality and diversity can also provide additional benefits to organizations, helping them improve performance and productivity.

"To maximize gender-related Aid for Trade initiatives, women must be part of the decision-making process."

Table 2: Promoting women's economic empowerment in Aid for Trade

Regions and donors	Responses in questionnaire
Africa	
Benin	Aid for Trade can promote women's economic empowerment through inclusive trade for sustainable development and: ▪ the development of adequate infrastructure and logistics ▪ the building of production and trade capacity ▪ the facilitation of trade and investment
Lesotho	Aid for Trade should focus more on supporting women in the transition from subsistence agriculture to commercial farming and empowering women to become involved in supply chains
Madagascar	Support should prioritize artisanal processing of fishing and mining products and promote MSMEs managed by women
Togo	Women's economic empowerment components included in many programmes (e.g. National Fund for Inclusive Finance) Initiatives aim to strengthen the public-private dialogue to support gender-focused initiatives which include an M&E mechanism with specific indicators
Asia and the Pacific	
Fiji	Aid for Trade can support economic empowerment by creating an enabling environment for women to participate in the economy
Indonesia	Issues of gender equality and women's economic empowerment are included in the development strategy Presidential Instruction No. 9/2000 on Gender Mainstreaming mandates ministries and local government to implement gender mainstreaming in development strategies National strategy of gender mainstreaming being developed and will include gender-responsive planning and budgeting
Pakistan	Aid for Trade can fill in for the technical or knowledge shortfalls a developing country may have in realizing the true economic potential of women
Latin America and the Caribbean	
Saint Lucia	Capacity development must be a means to an end by ensuring that practical opportunities for trade are built into the aid to increase the sustainability of training
Donors	
Germany	Supports programmes that promote gender-sensitive and sustainable innovations in agriculture and food sectors Supports women farmers in scaling up their activities through innovation and fosters their trading capacity
Republic of Korea	Women's economic empowerment one of the most important and principal agendas for accomplishing gender equality Trade one of the most important and practical means to achieve women's economic empowerment

Aid for Trade programme categories relating to gender

In the 2022 M&E exercise, Aid for Trade programmes are currently divided into two projects categories: those where a gender perspective is included among other objectives and those that focus principally on women's empowerment. The vast majority of projects fall in the first category.

The United Kingdom's M&E response summarizes the way developing countries and donors integrate gender into their programme. The United Kingdom outlines that Aid for Trade unquestionably helps to mobilize funds for women's economic empowerment and points out that all Aid for Trade funds must have at least a gender consideration. This means that even if they are not entirely focused on women's economic empowerment (which some are), they must at least complement women's economic empowerment activities.

However, Aid for Trade encompasses a broad range of programmes. Some are undertaken in conjunction with governments, such as many trade-related infrastructure projects; others target groups of women, often women entrepreneurs, such as programmes which support businesses run by women in preparing products for export. Other programmes partner with private-sector firms in donor countries to deliver projects.

A better understanding and categorizing of the types of Aid for Trade programme that focus on women would help countries better target their programmes. Common categories of programme include:

- infrastructure development;
- trade facilitation;
- preparation of businesses for exporting;
- access to trade finance;
- elimination of violence against women;
- adaptation to climate change;
- availability of digital platforms.

In addition to these categories, elements which define Aid for Trade programmes can be found in Table 3.

Infrastructure development

Some partner countries link Aid for Trade and infrastructure development, as it can have a key indirect impact on women's economic development (see Box 2). Responses to the questionnaire included (see Table 4 for details):

- advancing women's economic empowerment by providing consistent access to basic utilities, such as water, electricity and sanitation at the workplace (Mali);
- increasing women's participation in digital business services by building adequate digital infrastructure (Lesotho);
- fostering inclusive trade by developing infrastructure through Aid for Trade (Mexico).

Trade facilitation

Facilitating trade through streamlined procedures can help women entrepreneurs. If border procedures are clear and predictable, there is less room for discretion on the part of border officials.

Burdensome and non-transparent border procedures affect smaller firms more than larger ones when navigating difficult and opaque regulations. As MSMEs are disproportionately owned and managed by women, they are often at a disadvantage to meet the high cost and time demands of complex trading requirements (Korinek *et al.*, 2021).

Many donors focus their Aid for Trade programmes on trade facilitation. For instance, Germany supports trade facilitation at the Mwami-Mchinji border between Malawi and Zambia with a project that promotes making

Table 3: Categorization of Aid for Trade programmes

Category	Examples in existing Aid for Trade programmes
Sector of activity	Agriculture Apparel and textiles Tourism Multi-sector
Area of intervention	Trade and economic infrastructure Trade facilitation Preparation of firms for export Access to finance Digital networking platforms Violence against women Women in leadership
Target groups	Women entrepreneurs Women farmers Women and girls
Timing	Period of Aid for Trade activity
Donor	Country International organization Agency
Partner	Country Group of countries Subnational entity
Aid disbursement method	Grant Loan Technical assistance

Businesswoman in Comoros runs a ylang-ylang distillery, with eco-friendly products such as essential oils, lotions and toners.



Box 2

Markets for Change (M4C) project

M4C is a UN Women project in partnership with the UNDP. Principally funded by Australia, the project expanded to include support from Canada.

The six-year initiative (2014-2020) aimed at ensuring that marketplaces in rural and urban areas in Fiji, the Solomon Islands and Vanuatu are safe, inclusive and non-discriminatory environments, promoting gender equality and women's economic empowerment.

Vendors in these markets were predominantly women, and these marketplaces offer important venues for productive and sustainable work opportunities for women.

Source: Text adapted from <https://www.undp.org/pacific/projects/markets-change-project>.

border agents aware of gender issues. Some partner countries, such as the Democratic Republic of the Congo, also intend to apply a gender lens by targeting future support for women's economic empowerment in capacity building in trade facilitation.

Preparation of businesses for exporting

Some programmes bridge the knowledge gap for women entrepreneurs by providing access to information about border clearance procedures, licensing requirements and how to take advantage of market access provided through trade agreements. In some cases, this means aligning local products with international standards and aiding businesses to obtain certifications (see Box 3).

Other programmes offer services to promote the exports of women traders abroad through engagement in supply chains and distribution channels. For example, the Asia-Pacific Economic Cooperation has designed a toolkit for export promotion agencies to increase their gender sensitivity.

Access to trade finance

Access to trade finance, such as guarantees and letters of credit, is a barrier faced by women entrepreneurs. Trade finance closes the financing gap between the time of contracting for goods or services and the moment of payment subsequent to delivery.⁶

Although 100 per cent of women-led firms requesting trade finance have access to formal financial institutions (e.g. bank account), only 18 per cent of them receive sufficient trade finance (ADB, 2016b). The International Finance Corporation (IFC), part of the World Bank Group, estimates the gap between the credit requested by women-owned MSMEs and the financing received to be around US\$ 1.7 trillion.⁷

In fact, Kim *et al.* (2019) find that:

“Women-owned firms find it even more difficult to access finance. Among women-owned firms surveyed, the average rejection rate of their proposals was 44% compared with 38% for male-owned firms. Once rejected, women-owned firms were less likely to seek out alternative financing — whether formal or informal”.

Box 3

Market Access Upgrade Programme (MARKUP)

MARKUP is an Aid for Trade, regional development initiative established and funded by the European Union that provides support to SMEs in the East African Community (EAC). It aims to increase exports of agribusiness and horticultural products and to promote regional integration and access to the European market.

The programme supports SMEs to improve the quality of their products by aligning them with international standards and sanitary and phytosanitary measures. This allows EAC agribusinesses to benefit from greater business opportunities in both East African and European markets. Crucial to the success of MARKUP is the inclusion of women and youth in trade.

Source: Text adapted from <https://www.eacmarkup.org>.

Aid for Trade can be a significant instrument to mobilize funds in support of women's economic empowerment by successfully connecting women entrepreneurs and financiers (see Box 4).

Elimination of violence against women

A key development objective for many countries is the elimination of gender-based violence. Violence against women in general, including child marriage and other harmful practices, and particularly during the conduct of trade (e.g. at the border) are being integrated as a key issue in countries' strategies.

A clear development objective for the Democratic Republic of the Congo is the elimination of violence and sexual abuse women face, especially at the borders. As part of its gender strategy, Madagascar aims to strengthen women's empowerment and to improve protection of women against gender-based violence. In Pakistan, legal steps are being taken to ensure non-discrimination at the workplace, and include the formation of the Woman Ombudsman and the Workplace Harassment

Act and the Protection of Women Against Violence Act. Tanzania has a text messaging service for women traders to report gender-based harassment (other examples can be found in the Colombia and Peru case studies).

Several donors also reflect this issue in their trade-related programmes and projects. The Netherlands have developed a programme in South Sudan which includes capacity-building activities to increase women's income from trade and to expand their capacity to participate in trade, while simultaneously promoting their rights and reducing their vulnerability to violence and exploitation.

The Australia Infrastructure Financing Facility for the Pacific links infrastructure development to women's economic empowerment and requires that projects take actions to identify and address constraints faced by women by seeking, among other objectives, to end all forms of violence against women and girls, especially through jobs and services that are free from sexual harassment.

This focus, which has been newly reported on within the M&E exercise, may be rooted in the increase of violence against women in the last

Box 4

Banking on Women Global Trade Finance Program (BOW–GTFP) initiative

In order to increase trade financing for businesses owned and led by women in developing countries, the IFC Banking on Women (BOW) programme partnered with Goldman Sachs to create the BOW–GTFP initiative.

The programme aims to close gender gaps in trade financing by:

- creating incentives for more than 240 partner banks in more than 80 emerging markets to increase financing to exporting and importing women entrepreneurs;
- encouraging partner banks to better understand and better serve women-owned SMEs*, which has commercial benefits for the financial institutions.

The BOW–GTFP initiative has issued US\$ 120 million in loans and loan guarantees since it started in 2019. Banks in emerging markets that lend to SMEs which are owned or led by women** receive a rebate on the funds they borrow for those loans from the IFC of 20 basis points (for loans financed above 100 basis points per annum).

The BOW–GTFP initiative has uncovered a number of challenges to providing trade finance to SMEs owned by women, in particular:

- Banks are not necessarily specialized in trade finance and do not always cater to these shorter-term loans. Banks tend to stick to a traditional set of collateral requirements that may be more appropriate for longer-term loans. Women often cannot produce the collateral necessary for such loans, in some countries due to legal or regulatory barriers such as land or other titles that do not reflect their ownership.
- Many instances of bias against women by some bank employees have been documented, in particular when women's entrepreneurship challenges traditional societal norms.
- Businesses owned and led by women tend to be smaller, and banks are not always well equipped to provide the lower-value trade finance loans they seek.

Furthermore, financial institutions are reportedly more risk averse since the onset of the COVID-19 pandemic. The BOW–GTFP initiative has also contributed to research on the magnitude of the gender gap in financing, and on the barriers women face accessing trade finance.***

* Defined by either: the amount of IFC guarantee being up to US\$ 2 million; or when the IFC guarantee is greater than US\$ 2 million, the women-led small and medium beneficiary/applicant meets two out of three criteria (<300 employees; <US\$ 15 million in total assets; <US\$ 15 million in annual sales).

** Defined as 51 per cent or more owned by a woman/women or 20 per cent or more owned by a woman/women and with at least one woman as chief executive officer/chief operating officer (president/vice-president), with at least 30 per cent of the board of directors composed of women, where a board exists.

*** See https://www.wto.org/english/tratop_e/womenandtrade_e/think_up_1_e.htm.

two years, during the COVID-19 pandemic and its colossal economic cost.

According to the UNDP COVID-19 Global Gender Response Tracker, 17 per cent of all relief measures taken by governments to mitigate the impact of COVID-19 on women specifically target violence against women.⁸ According to UN Women, the cost of violence against women globally amounted to US\$ 1.5 trillion, representing about 2 per cent of global GDP.⁹ In a study published by the International Monetary Fund focusing on Sub-Saharan Africa, Ouedraogo and Stenzel (2021) find that “an increase in the share of women subject to violence by 1 percentage point can reduce economic activities ... by up to 8 percent.”

To address violence against women engaged in trade activities and at borders, the World Customs Organization has developed a training package which includes an e-learning module aimed at customs officers and which focuses on raising general awareness on gender equality and how to integrate the gender perspective into everyday practices.¹⁰

Adaptation to climate change

Many donors integrate gender issues in renewable energy and climate-change-related programmes. For some partner countries heavily impacted by environmental disturbances, such as Samoa, Aid for Trade can contribute to adapting to climate change through support for women entrepreneurs and smallholder farmers.

Discussion of gender perspectives
in a community development
programme for farmers in Indonesia.



Availability of digital platforms

The COVID-19 pandemic has highlighted the importance of digital platforms and e-commerce. During the pandemic, SMEs “reporting higher shares of digital sales were also more likely to have reported more robust sales” (Facebook, 2021).

Both formal and informal networks can provide valuable information and the possibility to meet clients and suppliers. Such knowledge is particularly useful when engaging in trade in a foreign environment under different regulatory conditions. However, women entrepreneurs tend to have fewer and shallower business networks. Providing a platform for women entrepreneurs to engage with clients and goods and services providers can bridge some of these gaps.

Some Aid for Trade programmes provide networking and digital platforms where various services are offered beyond linking buyers and suppliers. They also provide courses in digital literacy, an area where gender gaps persist, particularly in developing and emerging markets.

A digital networking platform can in fact be used as a tool and integrated into Aid for Trade programmes or it could be an Aid for Trade project on its own. Since networking is an issue for many women entrepreneurs, providing such digital networks responds to an exporting challenge (see Box 5).

Table 4: Aid for Trade programme categories relating to gender

Regions and donors	Responses in questionnaire
Africa	
Democratic Republic of the Congo	Objective to eliminate violence and sexual abuse women face, especially at borders
Lesotho	Digital infrastructure used as a means to enhance women's economic empowerment, especially by increasing their participation in digital business services
Madagascar	Gender and development strategy to strengthen women's economic empowerment and improve women's protection against gender-based violence
Mali	Aid for trade can advance women's economic empowerment by providing consistent access to basic utilities at the workplace (i.e. water, electricity, sanitation), which can enhance women's production and productivity
Asia and the Pacific	
Pakistan	Legal steps taken to ensure non-discrimination with respect to conditions of employment or occupation
Donors	
Asia-Pacific Economic Cooperation	Designed a toolkit for export promotion agencies to increase their gender sensitivity
Inter-American Development Bank	ConnectAmericas for Women platform allows businesswomen to connect and explore business opportunities and exchange relevant information
Netherlands	Developed a programme in South Sudan that includes capacity building activities to increase women's income from trade, their capacity to participate in trade, and to promote their rights, while reducing their vulnerability to violence and exploitation
TradeMark East Africa	Established a text messaging service for women traders in Tanzania to report gender-based harassment

Box 5

ConnectAmericas for Women platform

The online business platform ConnectAmericas was created by the IDB in 2014 to help MSMEs to access international markets and new business opportunities.* Firms from around the world can join ConnectAmericas. However, the platform was created to favour the internationalization of businesses based in Latin America and the Caribbean.

Firms based in Argentina, Brazil, Colombia, Mexico and Peru account for the majority of participants. Services, food and beverages, and textiles, jewellery and accessories are the sectors in which most ConnectAmericas companies operate.

Under this umbrella programme, the IDB has developed the ConnectAmericas Mujeres (ConnectAmericas for Women) platform that focuses on women business owners and leaders and closing gender gaps in accessing international markets. Within the platform, some business communities specifically target sub-groups of women entrepreneurs, such as the Pacific Alliance Women Entrepreneurs with more than 1,200 participants, and Women in Business with more than 650 participants.

The share of businesses owned by women participating in the platform increased from 30 per cent in 2014 to nearly 45 per cent in 2021, with 10 million unique users in over 200 countries. The aim of the platform includes the following:

- provision of capacity-building and production improvements to facilitate women entrepreneurs' access to foreign trade and value chains;
- use and adoption of information and communication technologies for the transformation and optimization of their business processes;
- improvements to their financial management to facilitate access to funding for their business.

Businesses owned by women are more prevalent online on ConnectAmericas than in relevant offline benchmarks. This echoes similar findings from research in OECD countries on women-led firms that use Facebook/Meta business pages at least as much as men (Korinek *et al.*, 2021).

In addition to providing a business networking platform that connects businesses to potential clients and suppliers, ConnectAmericas for Women provides online training and business resources. Over 100,000 women have been trained through the online resources; 49 per cent of participants in the 12 business matchmaking events organized in 2021 were women.

As part of ConnectAmericas for Women, the IDB has also launched Women Growing Together in the Americas, which provides online training and business development resources, mentoring by private sector partners and industry specialists. It also showcases women entrepreneurs' stories and successes. This programme was developed during the COVID-19 pandemic:

- to facilitate trade and participation in global value chains;
- to favour the use and adoption of digital technologies to optimize business processes, improve financial management and facilitate access to funding.

The ConnectAmericas for Women platform is also a source of information on women entrepreneurs and the challenges they face, that could be used by or governments to design and implement more effective trade and gender policies.

* See <https://blogs.iadb.org/integration-trade/en/can-online-platforms-encourage-women-owned-firms-in-international-trade-in-the-case-of-connectamericas-yes>.

Aid for Trade constraints and donor–partner alignment

Aid for Trade funding is aligned with developing countries' priorities and objectives on women's economic empowerment as adopted in their development strategies and policy instruments (see Table 5 for details).

“Aid for Trade disbursements that include gender as an objective rose from US\$ 4 billion to US\$ 18 billion between 2011 and 2020.”

Research in preparation for the joint OECD–WTO publication *Aid for Trade at a Glance 2022* finds that Aid for Trade disbursements from bilateral donors that include gender as a significant objective rose from US\$ 4 billion to US\$ 18 billion between 2011 and 2020.

Responses in the questionnaire revealed that the four most commonly acknowledged constraints faced by women and addressed by programmes are:

- access to finance;
- informal employment;
- access to digital services;
- access to information.

Harvesting a rice field in Cambodia.



Table 5: Aid for Trade constraints and donor–partner alignment

Regions and donors	Responses in questionnaire
Africa	
Mali	Combating female poverty, international trade cooperation, promoting female leadership and public–private partnership are the main reasons for mobilizing funds for women's economic empowerment Support provided effectively corresponds to the objectives and priorities of women in terms of trade
Donors	
European Union	Priorities can only be identified after thorough contextual analysis and interventions targeted according to development effectiveness principles, such as alignment with national priorities and donor coordination
Slovenia	In line with development cooperation effectiveness principles, project supports stem from the partner needs and are implemented in close cooperation with local partners, which ensures ownership

Donors further identify unpaid care work and unpaid employment as obstacles for women. However, partner countries do not place this issue high on their list of obstacles. Similarly, 70 per cent of donors but only 30 per cent of partners believe a gender pay gap to be an obstacle.

Disparities in policy intervention and Aid for Trade programming could weaken an initiative's effectiveness, given that programmes are demand driven. Benin highlights that Aid for Trade derives from the principles contained in the Paris Declaration on Aid Effectiveness¹¹ and from the country's priorities in its development strategy. If disparities are not properly addressed, partner countries could look elsewhere to solve some of the issues they rank as most important – with donors going in another direction.

However, this chapter shows that gender issues are extensively included in Aid for Trade strategies, and the link between Aid for Trade and gender is strongly established for both donors and partners. Most developing countries agree that Aid for Trade can help to remove obstacles they identify. Both donors and partners consider that Aid for Trade can help women's

access to finance and credit, strengthen female entrepreneurship and business development through market linkages, and support women's access to skills development and capacity building in trade.

However, a few donors have other perspectives. Austria, for example, explains that Aid for Trade has a very limited role to play with regard to women's economic empowerment, but it could promote better access to capital.

Future perspectives on Aid for Trade and gender are also similar between partner countries and donors. In terms of sectoral support, most countries established that Aid for Trade should focus on agriculture, fisheries, handicraft fashion and apparel as well as e-commerce and digital services. Some also mentioned tourism. Many of these sectors have high levels of female employment.

However, partner countries also identify future priorities of energy supply, communication infrastructure, and trade education and training, which are not listed by donors.



EXPERT OPINION

Importance of building evidence for gender-sensitive trade policies

By Annette Ssemuwemba, Deputy Executive Director,
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Framework (EIF)

Inclusive programming has been central to the EIF's Aid for Trade interventions in least-developed countries (LDCs). This emerged from a recognition that the gains from trade are amplified when they generate opportunities for women and youth and enable micro, small and medium-sized enterprises (MSMEs) to integrate into global trade.

The EIF Empower Women, Power Trade (EWPT) initiative, launched in 2019, demonstrates our commitment towards women's economic empowerment through a set of defined outcomes on policy and productive capacity. A foundation of the EWPT initiative is to build the evidence-base to support gender-sensitive policies.

The OECD–WTO monitoring and evaluation (M&E) exercise has noted that mainstreaming gender into national strategies is a continuous process. This reflects our ongoing work which has been to partner with governments in LDCs to formulate and implement gender-sensitive trade policies and regulations, as well as to improve the collection of gender-disaggregated trade data.

The best policies are evidence-based, but they can be challenging to formulate in contexts where data do not exist. Since 2019, gender analysis was integrated in the EIF's flagship analytical work, its Diagnostic Trade Integrated Studies, providing the basis for gender-disaggregated trade data to inform policy formulation processes in the countries themselves.

Building evidence does not only happen through research and analysis; it also comes from sharing experiences. For example, EIF support has been directed to sectors in which women are predominantly engaged, so female-owned businesses can expand and access new regional and global markets. Responses to the M&E exercise indicate a wide recognition that these efforts result in strengthening women's economic and financial independence.

These data are useful when LDC governments need to formulate trade-related policies and regulatory frameworks. But as highlighted in the exercise, this is a continuous process.

E-commerce has emerged as a particularly critical area for deepening the inclusiveness of trade and has continued to thrive especially over the past two years due to COVID-19. The digital transformation has the potential to have an equally transformative effect on women entrepreneurs. Evidence already points to impressive gains made by women and youth on the e-commerce front these past few years. The EIF and United Nations Economic and Social Commission for Asia and the Pacific training to Southeast Asian women entrepreneurs in e-commerce is one such example. Policy-makers therefore need to pay attention to these results, but researchers and development partners also have a role to play in sharing their evidence and learning.

This M&E exercise spearheaded by the WTO and the OECD is a prime example of the creation of this evidence to help drive Aid for Trade policies but also informs least-developed and developed countries on what has worked, and what has not, in other countries and contexts.

Going forward, continuing to build evidence to mainstream gender in trade policy and regulatory frameworks should remain an area of essential focus for all. On our end, the EIF will continue sharing results and lessons, ensure the collection of gender-disaggregated data serves as a basis for learning, and strengthen the partnerships that ensure trade works for women.

Challenges in integrating gender into Aid for Trade

Paucity of sex-disaggregated trade data

Some donors and partner countries have indicated that the lack of sex-disaggregated trade data is a key challenge in designing Aid for Trade projects focusing on women. Many countries have yet to collect such data. However, it is starting to gain traction. The responses in the questionnaire indicate that overall governments do collect sex-disaggregated data in various areas of policy interventions and from the following sources, among others (see Table 6 for details).

- periodic reports from ministries in charge of women's issues;
- records from capacity-building activities;
- national surveys on the productivity and competitiveness of MSMEs;
- records on business financing, micro financing, employment and income status; tax records;
- business registries of formal entrepreneurs.

The data collected often focus on women entrepreneurs rather than women workers, and surveys sometimes focus on very localized and specific issues, such as the incomes of women with economic difficulties at the village level.

How data are collected and the frequency are often not systematic. Many countries collect data on an ad-hoc basis when the need arises (e.g. during training workshops) or rely on international organizations such as the OECD or the World Bank.

Even when governments gather sex-disaggregated data, they rarely focus on trade. Notable exceptions, however, include Guinea-Bissau, which integrates sex-disaggregated data in its export development strategy, and Mexico, whose statistics office conducts dedicated surveys

on women in trade. To overcome information gaps, the IDB is capturing and analysing sex-disaggregated data in the business community and business profile of women-led enterprises as part of its Integration and Trade Sector Framework.

Aid for Trade initiatives can be an instrument to collect data on women's participation in trade. TradeMark East Africa uses data-driven needs assessments to develop country and regional programmes in collaboration with donors and governments.

As part of this work, a monitoring system has been set up together with partners to report regularly on the progress and impact of its programmes. However, it is difficult to aggregate information from different countries and different contexts, and to collect data from large informal sectors, in which women often operate.

The data collection systems of some donors often collect information not only for M&E purposes but also to select projects that would benefit from Aid for Trade. The IFC and the IDB have made supporting policy-making a clear objective of data collection.

Effect of data paucity on policy-making

The lack of regular data collection on women in trade has created statistical gaps that impact the effectiveness of trade policies and development strategies. Gaps in data impede research and thus policy-making, as research findings can be used to inform gender-responsive trade policies and to promote women in trade.

This issue has been discussed by WTO members in the Informal Working Group on Trade and Gender, where they have exchanged data collection methods as part of their technical



Garments
textiles factory
in Lesotho.

work on trade and gender.¹² WTO members also prioritized developing and improving sex-disaggregated data collection, and identified this area of policy intervention as fundamental to advancing gender equality in trade.

This is one of the reasons why the WTO created the WTO Gender Research Hub¹³ in May 2021 to foster further research and data collection efforts through an information-sharing and knowledge-gathering platform where the latest findings of researchers and experts can be shared and disseminated globally.

Research by the WTO Gender Research Hub, confirms the lack of data on women in trade. To address this, the WTO has developed a data collection questionnaire, which members can use as a guide. This questionnaire is one of the gender-responsive policy tools developed by the WTO for policy-makers to integrate gender issues into trade policy, and which are incorporated in the WTO training course on trade and gender.¹⁴

The lack of data also impedes research and in turn policy-making, as research findings can be used to inform gender responsive trade policies and promote women in trade.

Need for impact assessment

The M&E exercise reveals that Aid for Trade programmes are not systematically evaluated for their gender impact and, few countries embed impact evaluation mechanisms. However, some donors make them mandatory.

Including gender into national strategies is a continual process. Policy frameworks are frequently updated. Some of the gender strategies or plans cited by respondents have expired recently or are about to end. In that regard, the question remains about how the impact of these actions are evaluated and the lessons identified integrated into future strategies.

Table 6: Challenges in integrating gender into Aid for Trade

Regions	Responses in questionnaire
Africa	
Togo	The National Fund for Inclusive Finance (FNFI) to strengthen public–private dialogue to mobilize more resources to monitor and evaluate specific indicators for gender-focused initiatives
Asia and the Pacific	
Sri Lanka	Ground-level monitoring activities are carried out through the district and divisional level field officers attached to the ministry for women and children and conducts M&E activities through a monitoring, evaluation, accountability and learning (MEAL) system introduced by the ministry
Vanuatu	Data collection is still an issue due to capacity constraints and funding issues
Latin America and the Caribbean	
Mexico	The National Institute of Statistics, Geography and Informatics (INEGI) conducts gender-disaggregated surveys that provide indicators on gender, trade and development
Peru	The National Institute of Statistics and Informatics (INEI) publishes annual gender gap reports
Saint Lucia	Ongoing challenges to collect gender-disaggregated data and trade data due to a large informal sector and high percentage of MSMEs M&E components to all government projects in line with donor requirements

The assessment of Aid for Trade programmes is a key issue. Understanding why some programmes are more effective than others helps countries to design informed policies and initiatives to support women.

Responses to the questionnaire indicate that only one-third of developing country partners evaluate their Aid for Trade programmes; however, LDCs are more inclined to use evaluation processes because they have adopted the EIF's M&E mechanism. In contrast, more than two-thirds of donors have monitoring processes, and impact assessments are mandatory for some.

When evaluating their programmes, most countries include specific gender-related indicators and targets that they evaluate against the programmes' objectives to examine progress in implementation, and then include

them as an integral part of M&E mechanisms. Some countries use the Voluntary National Review of SDGs to assess their Aid for Trade programmes.¹⁵

Assessment processes should be combined with sex-disaggregated data collection mechanisms. Data collected in M&E mechanisms of gender-focused Aid for Trade programmes and the lessons learned from them should be shared and discussed, potentially in such a forum as the Informal Working Group on Trade and Gender at the WTO.

WTO members have been exchanging technical information relating to gender equality in trade within the Informal Working Group. Australia and the United Kingdom highlighted the Group's work as a catalyst for integrating gender issues in Aid for Trade and in the WTO more broadly.

Case study

Benin: Gender evaluation methods in Aid for Trade programmes

Gender issues are integrated at all stages of Aid for Trade programmes, from formulation to monitoring and evaluation, and starting with the appointment of gender focal points in ministries, civil society and the private sector. The Government has adopted a methodological guide* which requires the following:

- gender issues are systematically integrated at the diagnostic level of each programme;
- gender gaps and women's needs are assessed based on data from the National Institute of Statistics and Economic Analysis (INSAE);
- data are complemented with surveys and interviews on specific issues conducted by the trade ministry;
- objectives must integrate gender issues;
- action plans must also include specific measures to reduce gender inequality and to provide for a monitoring and evaluation framework comprising gender equality indicators;
- gender focal points in each relevant ministry are consulted to ensure that programmes are responsive to women's needs and fully align with the national policy on the promotion of gender.

The Government is also implementing a gender evaluation methodological guide** which provides a comprehensive framework for assessing the impacts of programmes and policies on women's economic empowerment and gender equality. This guide includes a set of indicators for conducting an ex-ante and post-ante gender impact assessment.



A mid-term impact assessment is also carried out to allow for a revision of the programmes if the objectives are not met, especially in terms of gender equality. For example, the impact assessment examines the share of programme resources allocated to address women's needs, the impact on social disparities disaggregated by sex, and the comparison of gender inequalities in specific sectors before and after the programme.

* See <https://justice.gouv.bj/documents/politiques-strategies>.

** See <https://evaluation.gouv.bj/uploads/Guidemetodologiquedevaluation-sensibleaugenreVFOctobre2020.pdf>.

Ankouamon women's group of 40 in Benin produce 5 tonnes of shea butter per month.

Case study

European Union: EU gender impact assessment – what gets measured gets managed

A central part of the European Union's work on promoting gender equality and women's economic empowerment is by keeping track of its external interventions on gender equality, including expenditure. According to a report on the EU Gender Action Plan (GAP) II (European Commission, 2020a):

"It is estimated that a budget of EUR 8.7 billion worth of development funding supported gender equality and women's empowerment in 2019 (or 56.95% of total funding). Funding that specifically targets gender equality and women's empowerment ... amounted to EUR 643 million (4.21% of the total)."

In terms of more directly women's economic empowerment targeted actions, 1,853 reported actions focused on economic and social empowerment, which contributed to advancing various SDGs.

Building on the EU Gender Equality Strategy 2020-2025, the EU has launched the Gender Action Plan III for 2021-2025, which aims to promote gender equality worldwide and ensure that 85 per cent of new external actions are gender responsive by 2025 (European Commission, 2020b). This target is included into the Neighbourhood, Development and International Cooperation Instrument (NDICI) – Global Europe for 2021-2027 – valued at over €78 billion – which also specifies that "At least 5% of [gender responsive] actions should have gender equality and women's and girls' rights and empowerment as a principal objective."*

GAP III introduces stringent rules for applying and monitoring gender mainstreaming across sectors and is binding on all EU external action, including Aid for Trade programmes. Women's economic empowerment is one of the key thematic priority areas.

Aligned with the EU Aid for Trade strategy**, GAP III calls for systematic gender analysis, sex-disaggregated data and indicators for gender impact assessment. The operational unit for each programme is responsible for regularly monitoring and evaluating the intervention. This implies assessing how the programme is being implemented, identifying potential problem and corrective measures if required to optimize the positive impacts on gender equality and women's economic empowerment. In this view, the operational units have to systematically collect, analyse and use management information to support effective decision-making.

In addition to supporting partners in monitoring programmes, the EU has also developed a framework for monitoring the results of GAP III through the Objectives and Indicators to Frame the Implementation of the Gender Action Plan III (2021-25) (European Commission, 2020c). An annual report on the implementation of EU instruments for financing external actions provides comprehensive information on gender equality actions and results.***

* See https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/programme_and_performance_-_ndici.pdf.

** See https://ec.europa.eu/international-partnerships/topics/trade_en.

*** For the latest version, see https://knowledge4policy.ec.europa.eu/publication/2021-annual-report-implementation-european-unions-external-action-instruments-2020_en.

Endnotes

1. See *Recommendations of the Task Force on Aid for Trade*, WTO document WT/AFT/1, 27 July 2006.
2. About 800 women entrepreneurs were surveyed in Latin America, South Asia and East Africa between 2019 and 2020.
3. See <https://data.worldbank.org/indicator/SL.AGR.EMPL.FE.ZS>.
4. "Female farmers from Latin America and the Caribbean recount their efforts and fight against inequality on international day of rural women" webinar organized by IICA-Inter American Institute for Cooperation in Agriculture on 18 October 2021.
5. Data from the WTO regional surveys conducted in East Africa, South Asia and Latin America in 2019 and 2020 show that 58 per cent of women entrepreneurs work in services.
6. The majority of trade finance loans are therefore short-term (less than 180 days). However, because international trade carries more perceived risk than sales to domestic clients, the requirements by financial institutions in terms of creditworthiness, due diligence information, collateral and financial statements are typically higher than for access to domestic credit services (World Bank/WTO, 2020).
7. See https://www.smefinanceforum.org/sites/default/files/IFC_MSME_Factsheets_Global_2019.pdf.
8. See <https://data.undp.org/gendertracker>.
9. See <https://www.unwomen.org/en/digital-library/publications/2020/04/issue-brief-covid-19-and-ending-violence-against-women-and-girls>.
10. See <http://www.wcoomd.org/en/topics/capacity-building/activities-and-programmes/gender-equality.aspx>.
11. See annex 1 to *Recommendations of the Task Force on Aid for Trade*, WTO document WT/AFT/1, 27 July 2006.
12. See *Progress Report on WTO Members and Observers Technical Work on Women's Economic Empowerment*, WTO document INF/TGE/R/1, 9 November 2021.
13. See https://www.wto.org/english/tratop_e/womenandtrade_e/gender_research_hub_e.htm.
14. For information about the work of the WTO Secretariat on women and trade, see https://www.wto.org/english/tratop_e/womenandtrade_e/womenandtrade_e.htm.
15. See <https://sustainabledevelopment.un.org/vnrs>.

Conclusion

The results of the 2022 OECD–WTO monitoring and evaluation (M&E) exercise underline the need for more Aid for Trade and for better-targeted financing. They confirm that the COVID-19 pandemic was a significant setback for the integration into world trade of many developing countries and for their development prospects, especially for least-developed countries (LDCs).

The consequences of the pandemic continue to affect the trade prospects of many developing countries, often in unpredictable ways. Many of the lowest-income countries are struggling with debt combined with inflationary pressures that hamper imports of essential supplies. In addition, these pressures have been heightened by the crisis in Ukraine.

It is against this sombre background that the Aid for Trade Initiative seeks to address the trade-related constraints faced by developing countries and LDCs and to help them to transition to clean and sustainable energy in a low-carbon economy.

The COVID-19 pandemic has underscored many of the trade and development challenges that developing countries and LDCs face. Promoting export diversification, attaining international competitiveness, building productive capacity and connecting to global value chains (GVCs) all remain high on the agenda of partner countries as Aid for Trade priorities. However, the mixed economic outlook provides a challenging environment in which to achieve these goals, particularly where there is also fiscal pressure on donors' aid budgets.

In spite of the COVID-19 pandemic, trade remains a development priority for both partner countries and donors, emphasizing the need for more Aid for Trade and for better-targeted financing. Trade is integral to supporting

economic recovery from the pandemic and to medium and long-term economic growth and development. Hence, trade facilitation is the most frequently cited Aid for Trade priority by all participants in the 2022 M&E exercise.

However, the nature of trade is changing, as digitalization drives growth in e-commerce. The COVID-19 pandemic has accelerated digital connectivity uptake and e-commerce growth, producing a connectivity boost to developing



countries and LDCs. However, the rapid growth in demand for digital connectivity and services has exposed shortcomings in basic connectivity, coverage, affordability of connection and levels of technical skill. The digital divide remains wide, both between and within countries, with women and businesses owned by women particularly affected, leading to social exclusion and lost trade opportunities.

The 2022 M&E exercise reveals the growing awareness among both partner countries and donors of the risks associated with climate change. The development and trade strategies of developing countries consequently increasingly refer to the environment. However, the transition to environmentally sustainable (green) growth is still at an early stage.

Commitments made by donors and south–south partners to support the transition to a low-carbon economy will further expand Aid for Trade financing to mitigate the effects of climate change and to align official development assistance with the Paris Agreement on climate change. Aid for Trade will increasingly become more important in helping countries grapple with the effects of global warming.

More financing is becoming available, including in the form of public–private partnerships. Nevertheless, there is still considerable scope to expand Aid for Trade financing for digital connectivity and e-commerce, including digitalizing government, services, the economy and industry, and teaching digital skills and literacy.

Aid for Trade is a powerful tool for advancing women's economic empowerment. Aid for Trade initiatives are improving at how programmes address new challenges and break down traditional obstacles women face. To maximize the efficacy of gender-related Aid for Trade programmes, women must play a part in their design, implementation, monitoring, evaluation and assessment. Advancing women into leadership positions in the public and private spheres is essential to ensure that gender equality is meaningfully integrated in policy and decision-making. Gender equality can also provide additional benefits to organizations, helping them improve performance and productivity.

Aid for Trade can strengthen women's access to trade opportunities. It is, therefore, crucial to address obstacles faced by women in trade and to tackle new challenges linked to the COVID-19 pandemic and climate change. Gender-related Aid for Trade programmes could also combine impact assessment with sex-disaggregated data to capture the outcomes of these programmes more fully.



Goods for export are loaded on the afternoon ferry, Tanna Island, Vanuatu

Future Aid for Trade priorities

Based on the analysis of the M&E questionnaire responses, the following areas and issues are priorities for the Aid for Trade Initiative for 2022 and the coming years.



Trade facilitation

Facilitating the movement of good across borders is the most frequently cited priority. Aid for Trade which supports trade facilitation, such as digitizing customs procedures, coordinating border management and improving transparency, is crucial in mitigating the COVID-19 pandemic's impact on trade and economies – an impact that has fallen heavily on MSMEs.



Sustainable growth

The 2022 M&E exercise reveals the growing awareness of the risks associated with climate change, with the trade strategies of developing countries increasingly referring to environmental issues. However, the transition to environmentally sustainable (green) growth, including the circular economy, is still at an early stage. The Aid for Trade Initiative can play an important role by helping developing countries and LDCs integrate environmental issues into their trade objectives and pursue the transition to a low-carbon economy.



Low-carbon growth

Commitments made by donors and south-south partners to support the transition to a low-carbon economy are helping to align official development assistance with the Paris Agreement on climate change. Aid for Trade will need to focus more on mitigating and adapting to the effects of global warming.



Women's economic empowerment

Aid for Trade is a powerful tool for advancing women's economic empowerment. While Aid for Trade programmes increasingly address gender issues, more can be done to tackle the obstacles women face in participating in international trade.



Export diversification

Aid for Trade programmes which focus on improving export diversification in specific sectors, such as agriculture, are of particular benefit to landlocked developing countries and LDCs. Such programmes will need to become more climate sensitive.



Global value chains

GVCs are an important driver of economic prosperity and poverty reduction, but they were particularly badly affected by the COVID-19 pandemic. Helping developing countries participate in GVCs is a key element of Aid for Trade.



E-commerce

Aid for Trade donors are providing increasing levels of funding for digital connectivity and e-commerce programmes. The COVID-19 pandemic has prompted an unprecedented surge in digital connectivity and e-commerce growth. Aid for Trade can help developing countries integrate digital connectivity and e-commerce into their national development strategies.



Micro, small and medium-sized enterprises (MSMEs)

MSMEs account for 95 per cent of all firms. Aid for Trade can play a role in improving economic resilience of MSMEs and in helping them access international markets and new business opportunities.



Public-private sector engagement

Engagement between the public and private sector to help finance the transition to a low-carbon economy is on the rise. This is an area where Aid for Trade can play a catalytic role by helping to mobilize finance for green infrastructure and by helping the private sector seize opportunities in the low-carbon economy. The same trends and conclusion are apparent in the digital economy – an area where e-government also has an important role to play in shaping e-commerce growth.



Development financing

More financing is becoming available, including in the form of public-private partnerships. Nevertheless, there is significant scope for donors and south-south partners to expand financing for public-private partnerships. Climate finance is increasingly intertwined with Aid for Trade financing, notably in the area of renewable energy infrastructure.



Gender-related programmes

Women must be part of the decision-making process in the design, implementation and assessment of gender-related programmes in Aid for Trade.



Trade data broken down by gender

Aid for Trade can strengthen women's access to opportunities created by trade. It is crucial to address obstacles faced by women in trade, especially new challenges linked to the COVID-19 pandemic. Aid for Trade programmes which provide data broken down by gender can capture more fully the outcomes of targeted financing.

Abbreviations

ADB	Asian Development Bank
AfCFTA	African Continental Free Trade Area
AfTIAS	Aid for Trade Initiative for the Arab States
COP26	26 th United Nations Climate Change Conference
EIF	Enhanced Integrated Framework
EBRD	European Bank for Reconstruction and Development
GHG	greenhouse gas
GVC	global value chain
IDB	Inter-American Development Bank
ICT	information and communications technology
IFC	International Finance Corporation
IFF	International Finance Forum
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
ITU	International Telecommunication Union
LAC	Latin American and Caribbean
LDC	least-developed country
M&E	monitoring and evaluation
MSME	micro, small and medium-sized enterprise
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OECD DAC	OECD Development Assistance Committee
PACER Plus	Pacific Agreement on Closer Economic Relations Plus
SDG	Sustainable Development Goal
SIDS	small island developing states
TMEA	TradeMark East Africa
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union

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Aid for Trade seeks to enable developing countries, and in particular least-developed countries (LDCs), to use trade as a means of fostering economic growth, sustainable development and poverty reduction. It promotes the integration of developing countries, especially LDCs, into the multilateral trading system and aims to galvanize support to build supply-side capacity and trade-related infrastructure in these countries to improve trade performance.

This publication draws on the responses provided by participants to the questionnaire of the 2022 OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise, which underpins the WTO’s 2022 Global Review of Aid for Trade.

This publication presents an analysis of the M&E questionnaire responses and describes priority areas and issues for the Aid for Trade Initiative for 2022 and the coming years.

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