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Aid for Trade priorities

Tomato farmers in Mataquescuintla,
Guatemala, prepare their produce
for market.

AID FOR TRADE PRIORITIES

Based on the responses given in the 2024 joint OECD–WTO Aid for Trade monitoring and evaluation exercise



Trade and economic growth priorities

94% of partner countries reported that their national development strategies contained trade priorities

Top 3 development areas

(% of partner country responses)



Reduction in poverty

82%



Expansion of tourism

82%



Expansion of agriculture

80%

Priority areas based on the survey responses from:

Partner countries

Donors



Trade facilitation

91%

79%



Regional integration and cooperation

87%

82%



Women's economic empowerment

82%

91%



Digital connectivity and e-commerce

81%

81%



Youth employment

79%

76%



Small and medium-sized enterprises

79%

73%



Trade and climate change

77%

94%



Is there a need for future Aid for Trade financing?

96%

Yes

91%

Yes

Partner countries Donors

Developing economies and their financing partners are counting on trade to deliver economic growth and reductions in poverty. This is the clear message that emerges from the 2024 joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise.

Responses given in the M&E exercise show that trade is also seen as a mechanism to achieve an array of other objectives and targets set out in national development strategies, including targets on:

- economic diversification and structural transformation;
- digital connectivity and e-commerce;
- trade facilitation;
- women's economic empowerment, youth employment and micro, small and medium-sized enterprises (MSMEs);
- climate change and the expansion of renewable energy generation.

Responses to the questionnaire from partner countries showed that many of the targets set out in national development strategies align with those found in the United Nations 2030 Agenda for Sustainable Development (United Nations, 2015a).

A driver on a delivery along a Chainpur-Khandbari road, Nepal.



Trade and economic growth

National development strategies include trade priorities

94%
of partner country responses

100%
of LDC responses

Trade features prominently in the national development strategies of developing economies: 94 per cent of partner country responses to the joint M&E exercise indicated that their national development strategies incorporated trade priorities. This number was even higher among least-developed countries (LDCs), where nearly all the responses highlighted trade priorities in their national development strategies.

Furthermore, 82 per cent of partner country responses reported that trade priorities reflected specific objectives in their national development strategies. This perspective was mirrored by 78 per cent of donor responses.

Developing economies view trade as supporting the economic growth objectives found in their national development strategies. Of the partner country responses, 95 per cent indicated that the trade priorities in their national development strategies reflected economic growth targets. Table 1 provides a selection of responses given in the questionnaire of what partner countries wish trade integration to deliver by way of trade and economic growth.

Among the 68 developing economies who responded to the monitoring and evaluation survey, the percentage of trade as a proportion of GDP has grown considerably since 2000.

Table 1 Aid for Trade priorities: Trade and economic growth objectives

Partner countries	Responses in questionnaire
Africa	
Kenya	Third Medium Term Plan 2018-2022 of Vision 2030 initiative lays out development agenda and priorities Targets include increasing real GDP growth from 5.5 per cent achieved in 2013-2017 to 5.9 per cent in 2018-2019 and 7 per cent by 2023 Fourth Medium Term Plan (2023-2027) targets are to realize economic growth of 7.2 per cent by 2027, and sustain the upward growth trajectory towards 10 per cent by 2030 envisaged as part of the Vision 2030 initiative
Lesotho	National Strategic Development Plan II outlines plans and strategies for economic growth from 2023/2024 to 2027/2028 The strategy focuses on sectors to spur economic growth such as commercial agriculture, manufacturing, tourism, creative industries, technology and innovation to stimulate economic development and job creation and reduce poverty
Niger	Development priorities include: ▪ trade financing, facilitation and diversification ▪ enhancing international competitiveness ▪ improving infrastructure to support economic growth
Rwanda	Seven-year National Strategy for Transformation: NST1 includes trade initiatives in a range of sectors aimed at comprehensive development
Asia and the Pacific	
Bhutan	Targets include: ▪ digital connectivity (Internet penetration, mobile connectivity) ▪ renewable energy (increase in renewable energy production, diversifying the modes of supply, types of renewable energy project) ▪ unemployment ▪ poverty ▪ GDP growth ▪ export product diversity
Philippines	Philippine Development Plan 2023-2028 emphasizes trade and investment promotion as key drivers of economic growth, highlighting the restoration, sustenance and strengthening of global position of export sectors
Sri Lanka	The Export Development Board formulated a National Export Strategy for 2018-2022, with extensions planned beyond 2023
Vanuatu	Vanuatu 2030: The People's Plan emphasizes national development goals and strategies to achieve sustainable growth and development
Latin America and the Caribbean	
Guatemala	Vision 2030 national strategy focuses on productivity and export diversification Specific growth targets anticipate 4.4-5.4 per cent in 2021-2025, and at least 5.4 per cent until 2032
Jamaica	Vision 2030 Jamaica aims to use trade and foreign relations to create an enabling external environment for economic growth
Nicaragua	Plans to fight poverty and foster human development, consumption and trade – Plan Nacional de Lucha Contra la Pobreza y para el Desarrollo Humano 2022-2026 and Plan Nacional de la Producción, Consumo y Comercio – outline trade-focused strategies to promote economic growth and development

Source: Joint OECD–WTO M&E exercise.

Figure 1 shows the trade and economic priorities of partner countries and donors. Partner country respondents indicated that their trade priorities also align with achieving higher income status: 23 per cent and 20 per cent responded that trade would help them achieve middle-income or upper middle-income status, and 7 per cent responded that trade would help them achieve the status of a developed economy. “Other targets”, which included digital connectivity, gender equality, renewable energy and the circular economy, were selected by 66 per cent of partner countries.

Graduation from least-developed country status

LDC graduation a priority
64%
 of LDC responses

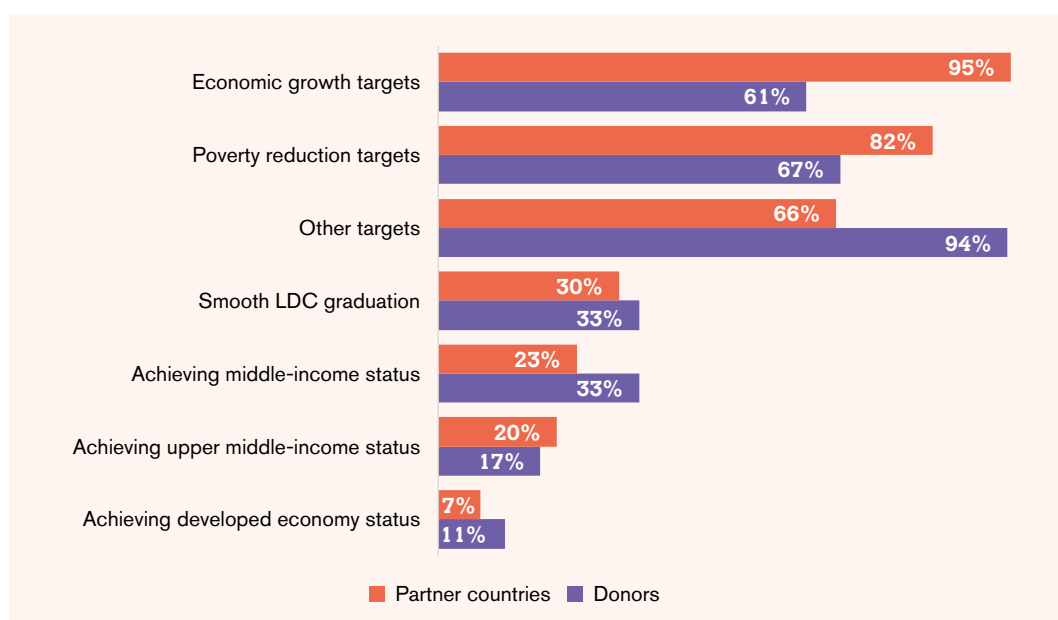
Over half of LDC responses (64 per cent) highlighted that graduation from LDC status was a priority. Six donors (African Development Bank, Asian Development Bank, Austria, Canada, Enhanced Integrated Framework, United Kingdom) also pointed to LDC graduation as a strategic objective. The topic of LDC graduation featured among the outcomes of the WTO's 13th Ministerial Conference, which took place in Abu Dhabi in February to March 2024 (see Box 1).

Other important priorities highlighted by LDC respondents included:

- trade facilitation;
- multilateral trade negotiations;
- agriculture;
- digital connectivity and e-commerce;
- regional trade agreements.

Figure 1 Objectives and targets in national development strategies of partner countries and donors

(Share of responses in per cent)



Source: Joint OECD–WTO M&E exercise.

Box 1

Priorities of LDCs and LDC graduation outcomes at the WTO's 13th Ministerial Conference

Graduation from the status of least-developed country (LDC) has been one of the key priorities of the LDC group at the WTO.* There are currently 15 LDCs at different stages of the graduation process. Graduation is an important milestone on the development path, and LDCs have been highlighting the need for a smooth and sustainable transition out of the LDC category.

In the WTO, LDCs have asked members to provide them extended time periods, while on the path to graduation, to continue to benefit from LDC-specific trade preferences and special and differential treatment provisions.**

In response to the LDCs' request, WTO members took two important steps to help graduating LDCs integrate into the multilateral trading system. First, in October 2023, members were encouraged to provide a smooth transition period before withdrawing duty-free and quota-free market access after graduation.*** Second, at the 13th WTO Ministerial Conference, members ensured that LDC graduates would enjoy a three-year transition period to integrate WTO rules and to benefit from LDC-specific technical assistance.+



WTO Director-General Ngozi Okonjo-Iweala and H.E. Dr Thani bin Ahmed Al Zeyoudi at the closing ceremony of the WTO's 13th Ministerial Conference.

These two LDC graduation decisions represent a steadfast commitment of WTO members to support LDC graduates in becoming more active players in global trade. At the same time, members will also continue to examine specific challenges that LDCs could face after graduation. Members will look at the remaining elements of the LDC request in the WTO's LDC Sub-Committee to explore what more can be done to help LDCs to integrate into the multilateral trading system. The LDC Sub-Committee provides a platform for the international organizations to highlight the support that they have been extending to help address challenges in integrating into the global economy after graduation.**

* Decisions on LDC graduation are taken by the United Nations based on certain socio-economic thresholds. LDCs on the path to graduation include Bangladesh, Cambodia, Comoros, Djibouti, Kiribati, the Lao People's Democratic Republic, Myanmar, Nepal, Rwanda, Sao Tomé and Príncipe, Senegal, the Solomon Islands, Tanzania, Tuvalu and Uganda.

** See *Trade Related Challenges of the Least Developed Countries and Way Forward: Proposal for a WTO Smooth Transition Measures in Favour of Countries Graduated from the LDC Category*, WTO document WT/GC/W/807/Rev.2, 6 December 2022.

*** See *General Council Decision on Extension of Unilateral Duty Free and Quota Free Preferences in Favour of Countries Graduated from the LDC Category*, WTO document WT/L/1172, 23 October 2023.

+ See *WTO Smooth Transition Support Measures in Favour of Countries Graduated from the LDC Category*, WTO document WT/MIN(24)/34-WT/L/1189, 4 March 2024.

** For more information on the trade impacts of LDC graduation, see EIF/WTO (2022).



Experience of the Enhanced Integrated Framework of trade mainstreaming in LDC development policies

Trade can be a powerful contributor to sustainable development in least-developed countries (LDCs). Trade can help connect communities, grow livelihood opportunities and harness social investments to unlock economic growth. For this to happen, however, there needs to be a step-shift in the concept and role of trade in the development agenda.

The integration of trade into national development and poverty reduction strategies, action plans and budgets – known as trade mainstreaming – has been the central focus of the Enhanced Integrated Framework (EIF). It requires a multifaceted approach: anchoring and deepening the role of trade in national policies, plans and institutions; and investing in supply-side trade interventions providing evidence of results and stakeholder ownership.

Vanuatu

In Vanuatu, for example, the National Trade Development Committee (NTDC) brings together government departments, the private sector and civil society around a common framework, guided by the country's Trade Policy Framework (TPF). The objectives of the TPF include the integration of trade into other policy mechanisms such as the National Sustainable Development Plan 2016-2030.

Aid for Trade investments to artisanal fisherfolk, tourism infrastructure and making trade processes far easier help both to visibly demonstrate trade benefits as well as to incentivize active participation in the NTDC and other trade-related processes. Underpinning this entire process is a team in the trade ministry dedicated to supporting effective coordination of stakeholders and Aid for Trade investments.

Diagnostic trade integration studies

Vanuatu's TPF is an example outcome of a diagnostic trade integration study (DTIS), which is a fundamental component of EIF investments into LDCs. DTISs assess the competitiveness of the country's economy and of the sectors that are engaged or have the potential to engage in international trade. They have evolved substantially over time – from a prescriptive, generally formulaic approach to a significantly more flexible instrument focused on trade mainstreaming.

Importantly, the process increasingly involves stakeholders more closely and is often led by LDC governments. This also helps in the transition of diagnostics into broader processes, such as effective input of trade priorities into national development plans. With the national planning process on a regular cycle (often every five years), trade mainstreaming is not a one-off event and needs input to each series of national development plans and related sector policies.

New generations of DTISs also increasingly provide a basis for the assessment and inclusion of emerging areas important to trade. For instance, more attention paid to digital trade improves the use of information and communications technologies and helps align ministries and other stakeholders who otherwise may be on very different paths. Similarly, there is an increasing focus on diagnostics and building policy and institutional relationships between environment and climate-related stakeholders. The recently completed DTIS in Zambia included a dedicated chapter on climate change, and past investments in The Gambia have helped anchor sustainable trade issues into the new national development plan. Finally, a recent assessment demonstrated that DTISs are increasingly providing a framework for gender inclusivity in trade.*

* See https://www.wto.org/library/events/event_resources/women_1311202309/321_1069.pdf.

Trade and reducing poverty

Reducing poverty a priority

82%
of partner country
responses

The COVID-19 pandemic reversed progress on reducing extreme poverty. According to the World Bank, a total of 712 million people globally were living in extreme poverty in 2022, an increase of 23 million people compared to 2019.¹ Under current trends, the United Nations (2023) predicts that 575 million people – 7 per cent of the global population – will still be living in extreme poverty in 2030, and only about one third of countries will meet the target to halve national poverty levels.

Against this background, poverty reduction emerges strongly as a national development priority that is also reflected in trade priorities in the questionnaire responses: 82 per cent

reported that poverty reduction targets were in their trade priorities. Significant emphasis was also placed on poverty reduction as a strategic objective behind development cooperation policies by donors. Table 2 provides further details on poverty reduction objectives, and responses also underscored the important gender dimension to poverty.

The global macroeconomy has shown remarkable resilience, but it remains embattled. Global trade growth has remained positive in the face of high inflation, restrictive monetary policy, limited fiscal space and escalating geopolitical tensions.

In fact, the rapid expansion of global trade helped bolster growth in developing economies during the first decade of this century. World Bank research suggests that per capita incomes in developing economies grew 3.5 percentage points faster than in developed economies (World Bank, 2024). It is important that global trade growth remains steady to ensure that sufficient progress is made towards meeting the SDG target on ending extreme poverty. Box 2 provides a broader discussion of the relationship between trade and extreme poverty.

A woman holds cooked reef fish for sale at her stall in Auki market in the Solomon Islands.



Table 2 Aid for Trade priorities: Poverty reduction objectives

Partner countries	Responses in questionnaire
Africa	
Lesotho	National Strategic Development Plan II includes strategies to reduce poverty
Asia and the Pacific	
Bangladesh	Meeting challenge of creating ca. 2 million jobs annually means creating bridgeheads into global export market Recognizing the small domestic economy, the Eighth Five Year Plan (July 2020 – June 2025) aims to expand exports of goods and services to move to higher growth path and grow out of poverty
Latin America and the Caribbean	
Ecuador	Estrategia de Desarrollo de Agronegocios Sostenibles 2023 outlines strategy for sustainable agribusiness development and aims to harness opportunities in agribusiness sector and address weaknesses Objective is to construct an agribusiness system that strengthens and energizes the economy inclusively and long-term: ▪ improving production and entrepreneurial conditions ▪ creating jobs ▪ eradicating poverty ▪ reducing inequality ▪ enhancing quality of life for a significant portion of the population
Nicaragua	Proposed policy for sustainable and inclusive industrialization will align with the plan to fight poverty and foster human development (Plan Nacional de Lucha Contra la Pobreza y para el Desarrollo Humano 2022-2026)
Saint Lucia	Working towards achieving United Nations Sustainable Development Goals (SDGs), particularly poverty reduction and eradication of hunger, with objectives: ▪ strengthening business competitiveness to boost the creation of firms and growth of small and medium-sized enterprises (SMEs) ▪ expanding national productive capacity and diversifying export basket ▪ ensuring increased trade is environmentally friendly and its benefits widely shared
Donors	
Bilateral donors	
Australia	Core Aid for Trade principles reflected in new international development policy, which recognizes importance of: ▪ facilitating market access (including capacity building to negotiate and implement trade agreements) ▪ addressing economic infrastructure constraints ▪ building productive capacity to take advantage of global trading opportunities as essential to ensuring poverty reduction, sustainable and resilient economic growth, and achievement of SDGs in partner countries

Donors	
Bilateral donors	
Canada	The Feminist International Assistance Policy, launched in June 2017, includes trade priorities under GROWE (Growth that works for everyone) and in integrated aid assistance policy GROWE approach seeks to enable countries to reduce and even eliminate extreme poverty and enable all segments of the population to benefit Priority is the participation of selected groups in the economy (e.g. women, indigenous-owned businesses, SMEs) and helping them connect to global value chains and markets Progressive trade agenda advocates for responsible business conduct of Canadian companies, particularly ones operating in developing economies
United Kingdom	All official development assistance spent with the primary objective of poverty reduction Focus reflected in policy proposal International Development in a Contested World: Ending Extreme Poverty and Tackling Climate Change, which includes trade objectives
Intergovernmental organizations	
Asian Development Bank (ADB)	Under ADB 2030 Strategy, vision of a prosperous, inclusive, resilient and sustainable Asia and the Pacific is aligned with SDGs and 2030 Agenda for Development Key goals for ADB operations include: ▪ zero poverty (SDG 1) ▪ gender equality (SDG 5) ▪ affordable and clean energy (SDG 7) ▪ decent work and economic growth (SDG 8) ▪ industry, innovation and infrastructure (SDG 9) ▪ reduced inequality (SDG 10) ▪ climate action (SDG 13) ADB operations will also contribute to: ▪ zero hunger (SDG 2) ▪ good health and well-being (SDG 3) ▪ quality education (SDG 4) ▪ clean water and sanitation (SDG 6) ▪ sustainable cities and communities (SDG 11) ▪ sustainable consumption (SDG 12) ▪ peace and justice, strong institutions (SDG 16) ADB operations will also play an important role in fostering partnerships to achieve the SDGs (SDG 17), especially towards SDG target 17.11 to significantly increase the exports of developing economies, in particular with a view to doubling the least-developed countries' share of global exports by 2020

Donors	
Intergovernmental organizations	
United Nations Development Programme (UNDP)	UNDP Strategic Plan 2022-2025 will support countries along three directions: ▪ structural transformation ▪ leaving no one behind ▪ resilience Plan extends across six areas where its capabilities and role within the United Nations best equips it to contribute to development: ▪ poverty and inequality ▪ governance ▪ resilience ▪ environment ▪ energy ▪ gender equality Through the Plan, UNDP seeks to make a difference by: ▪ helping 100 million people escape multidimensional poverty ▪ supporting 500 million people gain access to clean energy ▪ promoting over US\$ 1 trillion in public spending and private capital investments in SDGs ▪ supporting 800 million people participate in elections
World Bank	Trade lies at the intersection of the public and private sectors, so voices of both must be heard when designing trade reforms World Bank Strategic Framework for Trade contributes to achieving all SDGs. Interventions to achieve results important to the poorest countries include: ▪ filling large trade-related infrastructure gaps to growing exports from micro, small and medium-sized enterprises for job creation ▪ expanding access to critical services to promote trade reforms in fragile situations
South-South partners	
State of Kuwait	Development projects financed by the Kuwait Fund for Arab Economic Development cover SDGs, most notably: ▪ eradication of poverty ▪ provision of quality health care ▪ welfare ▪ education ▪ gender equality

Source: Joint OECD–WTO M&E exercise.

Box 2

How trade can enable the achievement of SDG 1 (ending extreme poverty)

Trade is an essential engine for the growth needed to end extreme poverty by 2030. By making goods available at home more affordable, trade enables poor households to purchase more with their income. Better access to foreign markets for the goods, for example agricultural goods, that the rural poor produce opens up new employment opportunities for poor farmers.

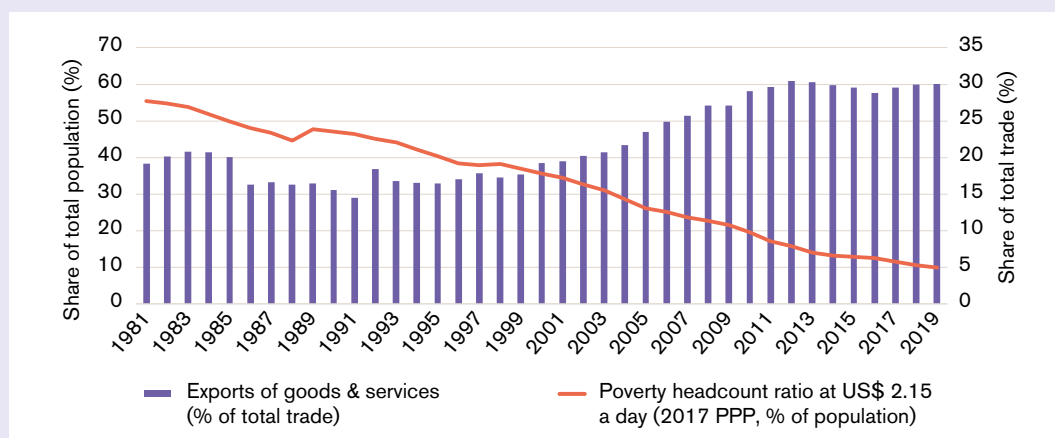
Trade can play a key role in empowering women and assisting them in dealing with poverty. Across developing economies, exporting firms generally employ a higher share of women than non-exporters. This has, in turn, an impact on other household decisions, such as education.

Open trade also helps the poor because it is critical to economic security, as it allows for diversification. Trade was central in responding to the sharp fluctuations in demand during the COVID-19 crisis and to the adaptation by food importers to contemporary geopolitical challenges. In the context of disruption of global value chains in 2022, trade has been an important part of the adaptation of net food importing economies. Estimates show that the sharp drop in Ukrainian grain exports to several African economies was made up for by increased exports by other major grain suppliers including Argentina, France and the United States. Moreover, price increases remained below expectations as trade facilitated substitution across suppliers and products. For instance, imports of rice initially replaced imports of wheat, and rapeseed oil imports took the place of sunflower oil until markets adjusted.

The poor, however, face numerous constraints that limit their capacity to benefit from trade opportunities, including limited mobility, limited access to finance and low skills. Addressing these constraints involves understanding how the nature of poverty across the four dimensions of rural poverty, fragility and conflict, informality and gender affects the relationship between poverty and trade. The risks that the extreme poor face if exposed to import competition further compound the difficulties for them in maximizing the gains from trade opportunities. At the same time, the strength of these constraints and risks means the opportunities for poverty reduction are great if they can be addressed.

Given these constraints, some economies have not benefited as much as others. While export-led growth has dramatically reduced poverty in East Asia and several Eastern European countries, the number of poor people in Sub-Saharan Africa has stagnated since the 1990s. Slower progress in growth and poverty reduction in Africa in part reflects slower growth in trade.

International trade's contribution to reducing extreme poverty



Source: WTO (2023a).



Case study

Experience of Côte d'Ivoire's economic growth and poverty reduction

Côte d'Ivoire's strong economic growth has had mixed results in terms of human development. Indeed, some regions and sections of the population have been unable to reap the benefits of this growth.

Between 2015 and 2018, the country's growth benefited poorer households more than richer ones, which also helped to reduce inequalities. Indeed, analysis of the household standard of living indicator reveals a 37.3 per cent improvement for poor households. The drop in inequality has helped to reduce the poverty rate in absolute terms, as well as the inequality between the incomes of poor and non-poor households.

Although there are regional disparities, poverty is generally on a clear downward trend. However, women and rural areas are still at a disadvantage. As previous studies of Côte d'Ivoire show, poverty is more pronounced in rural than in urban areas. In 2018, there were over 5.5 million poor people in rural areas (54.7 per cent), compared with just under 2.5 million in urban areas (24.7 per cent). The challenge is therefore to take measures to reduce women's vulnerability to poverty.

Despite encouraging results, challenges remain:

- The female population is more affected by poverty than the male population.
- Poverty is still more rural than urban.
- Major regional disparities persist (two regions out of ten had poverty rates higher than the national rate of 39.4 per cent in 2018).
- Major disparities in the contribution of regions to poverty at the national level persist.



A local trader at a market in Abidjan, Côte d'Ivoire.

Côte d'Ivoire's Plan National de Développement (PND) for 2021-2025 aims to address these challenges by developing the industrial sector into a driving economic force and a provider of decent jobs. The plan also looks to ensure better factor productivity, facilitate wealth creation and support the private sector in a development process that leaves no one behind.

Through the implementation of the PND, Côte d'Ivoire aims to increase GDP per capita from US\$ 2,286 in 2020 to US\$ 3,480 in 2025 and reduce the poverty rate from 39.4 per cent in 2018 to 31.5 per cent in 2025.

Source: Plan National de Développement PND 2021-2025, available at <https://www.gcpcnd.gouv.ci/uploads/doc/TOME%201.pdf>.

Trade, economic diversification and structural transformation



A common theme in many of the partner country responses is the focus on economic diversification and structural transformation. With 79 per cent of responses, economic diversification ranks highly as a strategic priority in the national development strategies of partner countries.

For partner countries, key trade strategies and policies seek to embed export diversification targets at both a product (61 per cent) and market level (68 per cent). Additionally, 48 partner country respondents (77 per cent) cited export diversification as a priority in their national development strategies. Table 3 provides further details.

The clear message that emerges is that many partner countries see trade integration as driving the structural transformation of their economies. Many partner countries have established demanding trade targets to drive this transformation process. For example, Mali’s export development strategy aims to reduce the trade balance deficit by increasing export revenues by 25 per cent. This target is to be achieved through a focus on the processing of raw materials from

Table 3 Aid for Trade priorities: Economic diversification and structural transformation objectives

Partner countries	Responses in questionnaire
Africa	
Kenya	Third Medium Term Plan 2018-2022 of Vision 2030 initiative lays out development agenda and priorities Vision 2030 aims to transform Kenya into newly industrialized, middle-income country, providing high quality of life to all citizens by 2030 in clean and secure environment After stakeholder consultation, Vision 2030 research teams settled for six priority sectors that promised to raise GDP growth rates to 10 per cent: ▪ tourism ▪ agriculture and livestock ▪ wholesale and retail trade ▪ manufacturing ▪ financial services ▪ business process offshoring and IT-enabled services
Mali	Strategic Framework for Economic Recovery and Sustainable Development (Cadre stratégique pour la relance économique et le développement durable – CREDD 2019-2023) highlights the importance of trade diversification The emphasis is on supporting oilseeds, fruits, vegetables, animal products and cereal production to drive economic transformation Incentives will be introduced to boost exports of value chain products, including measures to combat fraud, counterfeiting and unfair competition

Partner countries	Responses in questionnaire
Rwanda	Seven-year National Strategy for Transformation (NST1) includes sectoral objectives in: ▪ job creation ▪ urbanization ▪ trade digitalization (electronic payment systems, increased digital literacy) ▪ industrialization ▪ tourism ▪ mining ▪ agriculture productivity and sustainability ▪ forestry
Senegal	National export strategy is to make exports an essential lever for structural transformation of the economy towards strong, sustainable and inclusive growth by 2035 This strategy complements the Plan for an Emerging Senegal (Plan Sénégal Émergent), which refers to structural transformation of the economic framework
Latin America and the Caribbean	
Ecuador	Industrial policy (Política Industrial del Ecuador 2016-2025) aims to enhance the country's productive structure It aims to leverage the pivotal role of industry in strengthening innovation, entrepreneurship, productivity and external sector participation by targeting five pillars: ▪ investment ▪ productivity ▪ quality ▪ innovation ▪ markets Within current industrial policy, cross-cutting policies with corresponding instruments include: ▪ foreign trade ▪ financing ▪ incentives and business climate ▪ human talent Each instrument is designed to generate specific impacts on one or more pillars of the policy (innovation, productivity, investment, markets, quality) Policies aim to boost Ecuadorian industry overall and orient towards: ▪ improving business climate to drive industrial development ▪ consolidating and opening markets ▪ strengthening worker's skills to enhance national productivity ▪ developing efficient financing mechanisms for industry Combining policies and value chain roadmaps within the sectors to fully shape current industrial policy
Nicaragua	Proposed policy for sustainable and inclusive industrialization will align with plan to fight poverty and foster human development (Plan Nacional de Lucha Contra la Pobreza y para el Desarrollo Humano 2022-2026) Policy will prioritize agricultural, forestry, fishing and aquaculture sectors and mining sector First stage of implementation is transformation and generation of greater added value of agricultural, fishing and aquaculture products

Source: Joint OECD–WTO M&E exercise.

ten priority sectors, with a view to exporting their finished or semi-finished products:

- cotton, textiles and clothing;
- livestock and meat;
- hides and skins;
- mangoes;
- shea butter;
- gum arabic;
- sesame;
- cashew nuts;
- sweet potatoes;
- culture and tourism.

Mali believes that these sectors not only offer strong potential for exports, innovation and added value, but they will also act as a lever for job creation and opportunities, particularly for young people and women, whose economic role is growing.

Zimbabwe is also using ambitious export growth goals to drive structural adjustment. The national export strategy outlines a strategic goal to increase total exports by at least 10 per cent annually, from US\$ 4 billion in 2018 and to US\$ 14 billion by 2030 through growth of sectors such as:

- tourism;
- horticulture;
- mineral beneficiation;
- trade in services;
- food and beverages;
- textiles and clothing;
- leather and leather products.

The Philippines indicated that it is using the Pareto Principle to decide where to promote economic diversification. Using this principle, the Philippines hopes to focus on the 20 per cent of factors that are responsible for 80 per cent of export outcomes. It identified electronics, agriculture, transport, minerals, textiles, chemicals, home furnishings, and IT and business process management as sectors that account for nearly 90 per cent of the country's total export earnings.

Bangladesh's Five Year Plan: Promoting Prosperity and Fostering Inclusiveness

recognizes the importance of export diversification and that it has become a major priority for future trade policy. Export diversification matters because it lowers volatility in export earnings. The Government believes that the strategy of export diversification cannot be limited to product diversification in the export basket, but instead must embrace different aspects such as:

- product diversification: introducing a range of new products in the export basket;
- geographical diversification: widening the range of destination markets for exports;
- quality diversification: upgrading the value of existing products (i.e. moving up market from low-end to high-end products);
- goods-to-services diversification: seeking opportunities to expand non-merchandise exports;
- intermediate goods diversification: product diversification need not imply adding only final consumer goods in the export basket.

Expansion of the agriculture sector to support economic and export diversification measures

Expansion of the agriculture sector a priority

80%
of partner country responses

The expansion of the agriculture sector ranks high as a priority in the national development strategies of 80 per cent of partner country responses. Many developing economies also identified the expansion of agriculture exports as a target in national policies.

In its response, Saint Lucia pointed to agriculture as a key sector for economic and export diversification. The new draft Agri-Food Systems Transformation Policy and Strategy for 2023-2030 refers to strengthening collaboration among agencies responsibility



Workers unload sacks of onions at a farmers market in Bamako, Mali.

for marketing and export to diversify and expand markets. The new policy seeks to build on progress made in promoting and developing efficient marketing of locally produced agricultural commodities for the export market by facilitating the development of regional and international market opportunities and through certification and standards training and equipping for export readiness, legislation such as sanitary and phytosanitary regulations, Hazard Analysis Critical Control Points (HACCP) and other protocols.

Respondents that emphasized the importance of growth of the agriculture sector included Dominica, Equatorial Guinea, The Gambia, Mauritania and Mauritius. Mauritania

underscored the need to facilitate trade with national, regional and international markets by promoting various sectors such as raw and processed production in fisheries, agriculture, livestock and industry, alongside implementing legislation to enhance competitiveness and stimulate investment and exports.

Respondents also mentioned the need for growth of the agriculture sector, but as part of a broader cross-sectoral diversification approach. Jamaica, Nicaragua and Rwanda were among the respondents who placed the agriculture sector among comprehensive plans for broad-based economic growth. Box 3 provides an overview of two Aid for Trade projects that support structural transformation.

Box 3

Examples of Aid for Trade projects supporting structural transformation

The Global Gateway (European Union)

The Global Gateway seeks to mobilize up to €300 billion of investments for sustainable and high-quality projects, taking into account the needs of partner countries and ensuring lasting benefits for local communities. The Global Gateway will be delivered through the Team Europe approach, which brings together the European Union and EU member states with their financial and development institutions. It also seeks to mobilize the private sector to leverage investments for a transformational impact. This includes up to €135 billion worth of investments made possible by the European Union and €145 billion of planned investment volumes by European financial and development finance institutions, complemented by grant financing.

Additional financing will be provided by grants to development finance institutions who will combine these – or “blend them” – with loans. Under the European Fund for Sustainable Development Plus, the Commission uses blending in sectors, markets and operations where the guarantee does not address the relevant bottlenecks. These can be both public and private sector operations.

West Africa Competitiveness Programme (United Nations Industrial Development Organization)

In its M&E response, the United Nations Industrial Development Organization highlighted the West Africa Competitiveness Programme – a partnership between the Economic Community of West African States and the European Union – which aims to support selected value chains at national and regional levels so as to promote structural transformation and better access to regional and international markets while taking into account social and environmental concerns.

Its major objectives are to strengthen the competitiveness of West African countries and enhance their integration into the regional and international trading system. To reach this overarching goal, the programme is aimed at improving:

- performance, growth and contribution to the industry;
- regional trade and exports of selected value chains;
- the business climate.

Source: Joint OECD–WTO M&E exercise.



Workers load a pressing machine at a cotton plant in Mali.

Services trade, economic growth and diversification

Expansion of services exports a priority

76%
of partner country responses

Expansion of services exports is a trade objective cited by 76 per cent of partner country responses. For example, Jamaica indicated that targets in its National Foreign Trade Policy include:

- a significant increase in the value and volume of traditional and non-traditional goods exported;
- an increase in the value of services exported;
- an increase in the penetration into new and existing markets;
- better access to and use of technology, investment, skills and value chains;
- an improvement in the balance of trade;
- an improvement in competitiveness indicators.

Jamaica's services export targets are buttressed in Vision 2030 Jamaica Sector Plans, which includes plans for key services sectors such as:

- education;
- information and communications technologies (ICT);
- construction;
- culture and creative industries;
- sports;
- environmental management;
- science, technology and innovation;
- transport and tourism.

Jordan is another respondent with detailed plans for services sector growth. In its response, it pointed to services as part of its economic modernization vision and comprehensive national export strategy for 2023-2035.

The section on the future of services refers to eight sectors, 85 initiatives and various ambitions to develop a sizeable, high-value and export-oriented services economy, with a strong presence across a portfolio of knowledge intensive offerings, including:

- ICT services;
- creative industries and design;
- electronic gaming;
- financial services;
- healthcare;
- trade and transport services.

Tourism a priority

82%
of partner country responses

Significant opportunities in the services sector remain to be seized by developing economies. The tourism sector in particular can play a vital role. Responses to the M&E survey indicated that 82 per cent of partner countries include tourism in their strategic objectives. This makes it the second highest-ranking sectoral priority. Growth in the tourism sector can also help spur a broader focus on the growth and diversification prospects offered by the service sector.

Box 4 highlights the Dominican Republic's national strategy for the export of modern services, such as ICT, across different sectors and modes of supply. Services trade policy has an important role to play in reducing trade costs, improving the performance of services, attracting foreign direct investment, boosting supply-chain resilience, and increasing manufacturing productivity and exports. In this regard, services trade policies play a key role in strategies to promote development.

Box 4

Dominican Republic's national strategy for the export of modern services

The Dominican Republic launched its national strategy for the export of modern services (Estrategia Nacional de Exportación de Servicios Modernos, ENSEM) in 2021 to bolster its competitiveness in a swiftly changing global market, focusing on modern services exports. Acknowledging the pivotal role of the services sector, which comprised 60 per cent of GDP in 2019, ENSEM crafts a comprehensive blueprint to harness this potential, fostering the creative and cultural economy and information and communications technology (ICT) services.

At its heart, ENSEM leverages the Dominican Republic's skilled workforce, strategic location and favourable business climate to attract foreign investment and spur services exports. It operates on five foundational pillars, each designed to foster a thriving environment for modern services exports.

Capacity development

The first pillar emphasizes enhancing workforce competencies through tailored education and training initiatives. The government aims to maintain workforce competitiveness in dynamic global markets by investing in human capital development and continuous training. In the medium and long term, concrete steps involve fostering dialogue with universities and professional institutes to integrate certifications as incentives for training in ICT-related careers. In addition, the Government aims to integrate national coding and computer programming into the educational curriculum.

Normative and institutional aspects

Pillar two emphasizes improving regulations, capacities and influence to support entrepreneurial ventures and services exports. To bolster services exports, it advocates for developing supportive regulations and infrastructure, such as e-commerce frameworks and broadband expansion.

Investment and financing

Dedicated to facilitating access to financing within the sector, the third pillar focuses on designing specialized financial products, fostering public-private operational mechanisms and implementing a foreign direct investment plan. Among the long-term actions is the establishment of a film and audiovisual investor pool for small and medium-sized enterprises within the industry. This includes the implementation of a scheme for accessing soft financing and seed capital to produce debut works.

Ecosystem

Pillar four aims to create an ecosystem that maximizes economic value. It involves eliminating barriers to services trade, fostering local and international institutional partnerships, and implementing legal frameworks for Fintech. In addition, initiatives include incentivizing multi-platform distribution companies and streamlining tax credit processes. Some objectives include promoting an electronic marketplace at the national level and developing the necessary procedures to facilitate the digital opening of ICT businesses, including providing incentives for registration.

Market promotion

With pillar five, ENSEM underscores the importance of strategic partnerships with international stakeholders to promote collaboration in trade facilitation and investment promotion. The strategy anticipates designing training and information programmes for staff at consular offices and embassies of the Dominican Republic on the promotion of services export and investment, as well as opportunities in modern services. In the long term, it aims to promote the signing of coproduction agreements for film and audiovisual content (including animation) with strategically prioritized countries by the Dominican Republic.

Through these pillars, ENSEM seeks to broaden the export base, reduce reliance on traditional markets, and mitigate external risks, ultimately driving sustained economic growth and competitiveness in the global economy.



Do countries need trade strategies?

By Jasmeer Virdee, Trade Strategy Development Officer, International Trade Centre (ITC)

Countries continuously pursue higher standards of living for their citizens. Trade is key to achieving this goal by boosting productivity and helping create more and better jobs.

The question is, do countries need a strategy to make trade happen? A conventional answer from a few decades ago would have been "no". All that the governments must do is set the conditions, and trade will follow.

ITC's experience indicates otherwise. We have facilitated the design of 150 strategies in over 70 countries. We have worked with small island developing states, least-developed countries, economies in transition and many more.

Based on this track record, we can affirm that trade does not happen by chance but by design. Trade development requires a deliberate approach to reduce barriers to trade, eliminate competitiveness issues and identify growth opportunities. A strategy brings these elements together and charts a blueprint for action.

But not all strategies are created equal. A good strategy specifies actions, sets priorities and allocates resources. An effective strategy coordinates government, businesses and civil society to work together towards common goals, while mainstreaming trade for a fairer, inclusive and greener economy.

Designing a results-oriented trade strategy

ITC has identified seven key principles that underpin a good trade strategy:

- (1) **Country-owned:** The country sets the priorities. Those who will manage, implement and benefit from the strategy manage its design. The ITC offers a well-established strategy design methodology and provides advice throughout the process.
- (2) **Inclusive and participative:** All those working on trade development engage in the strategy design process, from beginning to end.
- (3) **Built on existing strategies and plans:** Existing plans, policies and strategies are

integrated, helping to eliminate duplication and ensure consistency.

- (4) **Comprehensive:** A wide range of issues are tackled, including supply-side constraints, the quality of the business environment, market entry requirements and development-related issues.
- (5) **Needs-based and market-driven:** Focus is placed on areas that provide the best prospects for export development.
- (6) **Capacity-building oriented:** The country's stakeholders gain the ability to design, manage, upgrade and implement the strategy.
- (7) **Specific and measurable:** The strategy defines what needs to be done, by whom, by what date and with which resources to achieve which goals. Partners are clear about their commitments, promoting transparency and collaboration.

Challenge of implementation

The best strategy is the one that gets implemented and achieves results. The ITC often sees that partner countries find implementation extremely challenging. But without implementation, even the best-designed plan remains a piece of paper.

In this context, mainstreaming trade means that all stakeholders are aware, supportive and actioning the strategy. However, partner countries often do not have adequate systems or structures in place to monitor, measure and oversee implementation. In response to these difficulties, the ITC has developed an implementation management support package designed to:

- define a governance structure for collaboration and coordination among institutions (e.g. a National Export Council or an equivalent public-private body that oversees implementation);
- set up digital systems to track progress, measure results and identify gaps and duplications;
- mobilize businesses and civil society;
- mobilize national and international resources to fund implementation.

Moreover, there is a growing acceptance that services – and services trade – will prove central to tackling the most pressing global challenges. These include benefits offered by a rapidly digitalizing global economy, such as (WTO and World Bank, 2023):

- facilitating timely access to critical goods and services in response to pandemics and natural disasters;
- addressing food security by adopting the latest technology in agricultural practices;
- facilitating the transition to a decarbonized global economy;
- designing and deploying green technologies.

Box 5 presents an Aid for Trade roadmap from a 2023 publication by the WTO and the World Bank.

Better export performance is an objective that 83 per cent of partner country respondents

are seeking to achieve. A large number of respondents referred to policies or strategies that seek to deliver this target – primarily in the form of national trade policies and export strategies. For example, Ghana's National Export Development Strategy predicts that growth in non-traditional exports will grow from US\$ 2.8 billion in 2020 to US\$ 25.3 billion in 2029, accompanied by deep structural transformation that positions the country as a competitive export-led industrialized economy.

In contrast, eight donors (African Development Bank, Czech Republic, European Union, Germany, Inter-American Development Bank, Republic of Korea, New Zealand, Netherlands) indicated that they had a separate trade and development strategy. Most donors – 79 per cent of responses – indicated that their development cooperation strategy included trade priorities.

Box 5

Trade in services for development: An Aid for Trade roadmap for services

The world economy has in recent decades undergone structural shifts that have made services among the most dynamic sources of innovation and wealth creation. The services sector ranks among the key drivers of economic growth since the 1990s and has come to dominate the production and employment landscape of economies at all income levels.

Beyond their rising importance in domestic economies, services are also an increasingly prominent feature of cross-border exchanges. Long the most dynamic component of international trade and investment prior to the COVID-19 pandemic, the world has since borne witness to how services offer growing export opportunities, including for developing and least-developed economies, as digitalization and the ability to deliver services remotely ease trade within and across borders by helping countries to overcome the twin shackles of limited market size and challenging geographies.

However, developing economies confront a number of challenges as they enact services policies and strive to increase their participation in world services trade. Many developing and least-developed economies find it difficult to conduct domestic policy reforms and negotiations in services trade – not least because of the highly diverse nature of the services economy, the regulatory intensity that characterizes it, as well as prevailing gaps in policy formulation, regulatory enforcement and supply-side capacities.

Aid for Trade can help to overcome these challenges and assist developing economies in harnessing the development promise of services trade. However, Aid for Trade disbursements directed to supporting services-related activities have, on the whole, remained largely unchanged or slightly decreased over the last 15 years. There is much that stepped-up international cooperation can do to help developing economies take full advantage of a more service- and digital-centric world economy and unlock the benefits that expanded trade in services can bring.



A call centre agent in Rwanda.

Helping developing and least-developed economies adapt to the new realities of services trade called for increased levels of Aid for Trade. This support should be directed to serving the twin goal of strengthening the capacity of developing economies to design and implement services trade reforms and supply competitive services to regional and global markets.

An approach in which Aid for Trade support underpins efforts to enhance international cooperation, reduce trade costs and improve the transparency and predictability of trading conditions would do much to restore needed momentum to the services trade policy agenda, particularly at the WTO. A “trade in services for development” initiative could help to mobilize a coherent Aid for Trade package for services, targeting five key challenges:

- (i) addressing data gaps in services trade;
- (ii) supporting greater participation of developing and least-developed economies in policy discussions on trade in services;
- (iii) strengthening regulatory frameworks and institutions;
- (iv) promoting diversification, notably that offered by digital services trade; and
- (v) addressing key supply-side constraints and improving the services-related skills of workers.

Harnessing the benefits of services trade will require a shift in the policy attention governments pay to services, particularly with regard to trade and investment policy. The potential that services – and services trade – can make to the development trajectories of economies warrants greater policy attention.

Policies that facilitate trade and investment in services and reduce policy uncertainty at the regional and international levels can go a long way towards reducing trade costs, boosting productivity and enhancing resilience through more diversified export baskets. A greater focus on services trade policies is also instrumental in tackling prevailing digital divides, promoting inclusivity through increased opportunities for women, youth and micro, small and medium-sized enterprises, including in least-developed economies, and contributing to sustainability and the fight against climate change.

Source: Text adapted from WTO and World Bank (2023).

Regional dimension to delivering export diversification

Regional cooperation
a priority

87%
of partner country
responses

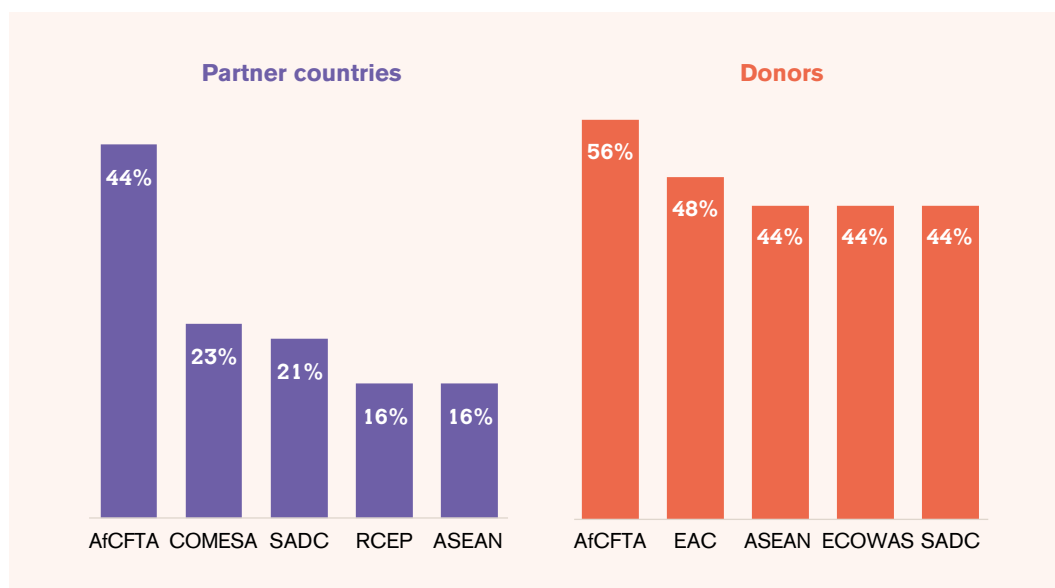
82%
of donor responses

Of partner country responses, 87 per cent indicated that their national development strategies and trade strategies include regional objectives such as regional integration and cooperation – a figure mirrored by donor responses, of which 82 per cent indicated that their development cooperation or Aid for Trade strategies included similar regional objectives. Figure 2 presents the most commonly cited regional economic communities in the responses given by partner countries and donors.

Among respondents from the Pacific region, various references were made to the Pacific Agreement on Closer Economic Relations Plus and the Pacific Island Countries Trade Agreement. Several respondents also cited the Caribbean Community, the Caribbean Forum, the Organization of Eastern Caribbean States and the Organisation of African, Caribbean and Pacific States.

Figure 2 Top five regional economic communities cited in national development strategies

(Share of responses in per cent)



Source: Joint OECD–WTO M&E exercise. AfCFTA – African Continental Free Trade Area; ASEAN – Association of Southeast Asian Nations; COMESA – Common Market for Eastern and Southern Africa; EAC – East African Community; ECOWAS – Economic Community of West African States; RCEP – Regional Comprehensive Economic Partnership; SADC – Southern African Development Community.



Orders can be reviewed online at a textile factory in Karachi, Pakistan.

Digital connectivity and e-commerce

Expansion of digital economy a priority

81%
of partner country responses

81%
of donor responses

Fuelled by advances in ICT, global exports of digitally delivered services almost tripled between 2005 and 2022 (WTO and World Bank, 2023). During the same period, developing economies accounted for an increasing share of global services trade, as LDC exports of commercial services grew more than four-fold between 2005 and 2022, while those of developing economies more than tripled.

The expansion of developing economies' exports is increasingly tied to services supplied across borders through digital means. And developing economies account for an increasing share of non-traditional services exports. Such gains belie the export pessimism that long permeated earlier discussions of services trade and tended to limit developing economy engagement in negotiations, particularly at the WTO (see WTO and World Bank, 2023).

A message that emerges strongly from the monitoring exercise is that partner countries are seeking to use digital connectivity and e-commerce to promote economic transformation. Digitalization is given high priority by both partner countries and donors in their responses. Expansion of the digital economy emerges as a priority in the national development strategies of 81 per cent of partner country responses. Of the donor responses, 81 per cent also indicated that these topics were priorities in their support. Participation in the digital economy emerges as a route to better export performance and increased competitiveness. Table 4 provides an overview of examples of Aid for Trade support for digital connectivity and e-commerce.

Table 4 Aid for Trade priorities: Digital connectivity and e-commerce objectives

Partner countries	Responses in questionnaire
Africa	
Burkina Faso	National economic and social development plan (Plan national de développement économique et social 2021-2025) aims to promote the integration of digitalization into different socioeconomic activities and set up online services platforms for domestic industries
Niger	Lack of e-commerce strategy and lack of connectivity (low Internet speed, poor territorial coverage, high cost of Internet) to be addressed using Aid for Trade
Asia and the Pacific	
Bhutan	Aid for Trade support needed to upgrade border infrastructure with modern technology at entry and exit points of goods and to facilitate paperless trade documentation
Cambodia	Key objective of Rectangular Strategy Phase IV is to enhance digital connectivity through strengthening and expanding fibre-optic cable infrastructure and undersea cables, and modernizing mobile networks
Fiji	National Development Plan aims to improve digital connectivity through high-speed Internet and improved broadband access to connect all areas
Pakistan	e-Commerce Policy of Pakistan aims to cut costs of doing business by ensuring consumer protection, availability of e-payment solutions and global connectivity of goods and services providers for cross-border trade
Philippines	Philippine Export Development Plan (PEDP) 2023-2028 aims to double IT-business process management sector revenues by 2028, increase market share from 12 per cent in 2021 to 18 per cent by 2028, and expand and diversify service offers to higher value categories
Samoa	Aims of e-commerce strategy: ▪ more online consumers ▪ more online businesses ▪ better digital readiness, including digital financial readiness ▪ access to different payment methods, accelerating digital inclusion
Vanuatu	Aim of e-commerce strategy is to create a digital-friendly economy by 2026, with active participation of Government, businesses and citizens in both domestic and cross-border e-commerce
Latin America and the Caribbean	
Costa Rica	National Trade Facilitation Council (El Consejo Nacional de Facilitación del Comercio, CONAFAC) plays fundamental role in promoting growth of goods and services exports by improving efficiency in foreign trade operations, regulatory harmonization and fostering public-private collaboration Within CONAFAC's agenda and developed by United Nations Conference on Trade and Development, the Empowerment Program for National Trade Facilitation Committees has been established to enhance CONAFAC's capabilities, particularly in areas of process digitalization, monitoring and surveillance mechanisms This would directly impact the effectiveness of CONAFAC's work, leading to tangible improvements in trade operations, and the search for financing to achieve this is underway

Partner countries	Responses in questionnaire
Ecuador	Digital transformation policy (Agenda de Transformación Digital Ecuador 2022-2025) aims to reduce the digital divide and strengthen digitalization across sectors in areas such as: ▪ digital infrastructure ▪ culture and digital inclusion ▪ digital economy ▪ emerging technologies for sustainable development ▪ digital government ▪ interoperability and data processing ▪ digital security and trust Stakeholders from diverse backgrounds and international organizations involved in implementation First National Workshop on Electronic Commerce with WTO was held virtually in 2023, providing an introduction to e-commerce, its emergence, trends, new topics being addressed and its impact on international trade
Donors	
Bilateral donors	
Australia	International Development Policy shapes creation of norms to optimize technological interoperability and interconnectivity to bridge digital divide and ensure continued growth of digital economy benefits all
European Union	Global Gateway aims to boost smart, clean and secure links in digital, energy and transport sectors Strategy also aims to strengthen health, education and research systems across the world, emphasizing hard and soft infrastructure to connect the European Union with partner countries and enable international trade AfCFTA e-Tariff Book, prepared as part of the Harmonized System and Rules of Origin Africa programmes by European Union and World Customs Organization will facilitate the publication of information on rates of duty applied by members of the African Continental Free Trade Area (AfCFTA) under their Schedules of Tariff Concessions e-Tariff Book is a practical instrument for trading under the AfCFTA Agreement, and provides several search functionalities, comparison of applicable rates between members and options to download results
Switzerland	Aims of International Cooperation Strategy 2021-24 are to fully harness potential of private sector and digitalization, and work on a strong multilateral system
Intergovernmental organizations	
Asian Development Bank (ADB)	2022-2024 work programme to support greater and higher quality connectivity with increased focused on multimodal, information and communications technology based and sustainable connectivity such as green and smart technologies, digital platforms and e-commerce, and renewable energy development Central Asia Regional Economic Cooperation Program supports capacity enhancement in the region in aligning with international standards and accelerating digital trade Through such support, Azerbaijan, China, Mongolia, Tajikistan and Turkmenistan signed the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific Azerbaijan, China and Mongolia now party to United Nations Convention on the Use of Electronic Communications in International Contracts

Donors	
Inter-American Development Bank (IDB)	Support Program for Knowledge Economy Export aims to bridge gap between academia and industry, particularly in artificial intelligence (AI) and other advanced technologies, and promote the internationalization of companies by ensuring a robust pipeline of skilled professionals Program anticipates upskilling 10,000 people and creating 35,000 new jobs, envisioning an increase of US\$ 4.28 billion in exports while significantly enhancing the adoption of AI and other advanced technologies by 27 per cent among participants

Source: Joint OECD–WTO M&E exercise.

Responses by Aid for Trade stakeholders, however, indicate that the digital divide, both with respect to hard and soft infrastructure, remains a limiting factor. Box 6 highlights a joint World Bank and WTO project to support digital trade for Africa.

Digitalization was referenced as a central theme in the national development strategies of economies as diverse as Burkina Faso, Cambodia, Costa

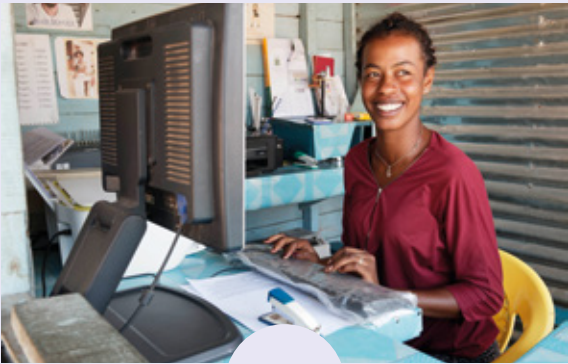
Rica and Fiji. This prioritization aligns with the perspective of Aid for Trade donors who responded to the M&E exercise. Of the responses from donors, 73 per cent indicated that the digital economy was a key strategic objective in their development cooperation strategies. The Asian Development Bank, Australia, Sweden and Switzerland highlighted specific references to digitalization in their development strategies.

Box 6 Digital Trade for Africa

To support African countries' efforts to harness the opportunities offered by the digital age, the WTO and the World Bank joined forces to launch the Digital Trade for Africa project.* A 2023 joint policy note jointly issued by the two organizations notes that the rise of digital trade offers important opportunities for Africa to boost growth, create better jobs and reduce poverty (World Bank and WTO, 2023).

Digital trade on the continent is growing at a brisk pace, faster than other categories of trade. Still, Africa's share in digital trade remains small at less than 1 per cent of global digital services trade. The note also highlights that enabling regulatory environment for digital trade is key to leveraging digital infrastructure effectively and realizing the benefits it offers.

Moving forward, a Digital Trade Needs Assessment is being prepared by the WTO and World Bank, in collaboration with interested pilot countries in Africa. There is shared commitment among governments and stakeholders to harness the potential of digital trade for inclusive and sustainable development, and to identify areas where more coordinated international support would complement governments' efforts to address gaps.



Digital trade opportunities in Toliara, Madagascar.

* See https://www.wto.org/english/tratop_e/serv_e/serv_2502202416_e/serv_2502202416_e.htm.



Women farmers in Touréla, Mali, provide information about their farms and their mobile money account details to obtain a personalized quote for automated weather-based crop insurance.

Prioritization of digitalization is also evident in the trade plans and strategies of developing economies and LDCs. Of the responses from partner countries, 77 per cent noted that digital connectivity and e-commerce is a relevant priority area for Aid for Trade support.

With regard to improving digital connectivity and e-commerce, 46 per cent of responses from partner countries indicated the Aid for Trade was having a measurable impact, and 84 per cent noted that it would require continued Aid for Trade support. Box 7 explores the role of digital trade for development.

Digital trade and e-commerce also emerge as key thematic areas among donors. For example, under the Digital Trade Strategy, Australia's Aid for Trade investments will continue to

promote the use of digital technologies to make trade more inclusive and support the uptake of e-commerce to make trade cheaper, more efficient and more accessible to disadvantaged groups, including women and micro, small and medium-sized enterprises (MSMEs).

Of the responses from donors, 73 per cent also pointed to digital connectivity and e-commerce as an area where Aid for Trade support has a measurable impact. Several donors also provided examples of thematic Aid for Trade support (see Table 4). Box 8 reports research by the International Trade Centre on why the digital economy in some African countries is poised for growth. Boxes 9, 10 and 11 meanwhile present examples of Aid for Trade support for digital connectivity and e-commerce in Africa.

Box 7

Digital trade for development

Digitalization of the economy is radically transforming the way we communicate, produce, govern and trade with one another. Digital technologies are engines of growth, increase productivity by reducing production costs, foster economies of scale and more efficient financing, promote innovation by fostering exchange of ideas and expand and diversify export baskets by reducing international trade costs. Digitalization can also promote resilience to shocks, a wider services-led growth model and more inclusive growth.

Cross-border digitally delivered services are the fastest growing segment of international trade, with new players emerging. Digital trade refers to all international trade digitally ordered and/or digitally delivered. According to WTO estimates, digitally delivered services have recorded an almost fourfold increase in value since 2005, rising 8.1 per cent on average per year over the period 2005-2022, outpacing goods (5.6 per cent) and other services exports (4.2 per cent) to account for 54 per cent of total services exports. With new ways of obtaining comparative advantage, opportunities arise for new players to engage in global markets, including for farmers to connect to markets and for small business to trade via parcels. While developed economies are responsible for the majority of digitally delivered services exports, they have also grown in most developing economies, including in Africa, where Ghana, Morocco and South Africa have seen the largest growth.

In general, to engage in and benefit from digital trade, consumers and businesses must have access to fast, affordable and reliable digital infrastructure as well as the skills and capabilities to use digital technologies for productive activities. Today, an estimated 5.4 billion people, or 67 per cent of the world's population, are able to connect to the Internet, doubling the number of people connected only ten years ago. Yet, 2.6 billion people, or one third of the global population remains offline, most of them in low and lower-middle income economies. High tariffs on imports of information and communications technology equipment, restrictions on imports of enabling services and limited competition in telecommunications services can reduce affordability and slow down adoption rates.

Governments need to put in place a regulatory and policy environment that not only facilitates trade in a digital world but also generates inclusive and sustainable outcomes. Policies and regulations should enable remote transactions, enhance trust in digital markets, promote affordable access and support cross-border deliveries. A predictable and interoperable environment that provides appropriate safeguards related to online transactions (such as data privacy, consumer protection and cybersecurity) is essential

for the digital trade ecosystem to thrive. Laws and regulations that ensure easy entry and exit of firms, effective competition and an open trade regime promote healthy competition.

Bridging the digital divide and strengthening the readiness of developing economies to benefit from digital trade requires both domestic and international mobilization. More international financial and technical support is needed to build the capacity of developing economies to improve connectivity and skills and to regulate in areas relevant to digital trade. Initiatives like the WTO-led Aid for Trade, the UNCTAD-led eTrade for all and the World Bank-led Digital Advisory and Trade Assistance (DATA) Fund can help.

Source: Adapted from the executive summary of IMF *et al.* (2023).



A student learns online during the COVID-19 pandemic in Phnom Penh, Cambodia.

Box 8

Leveraging technology for growth in Africa

Dubbed the “connected services” by the International Trade Centre (ITC, 2022) the following four sectors are responsible for an increasing share of output, trade and jobs in developing economies:

- transport and logistics;
- financial services;
- business and professional services;
- information and communications technologies (ICT).

The ICT sector in Africa plays a crucial role in the fast-paced transformation of economies, as it makes firms more competitive through digital innovations. Comprised of IT and business process management (IT/BPM) industries, the ITC (2024) reports that the sector accounts for 4-10 per cent of service exports in most African economies. In Kenya, Côte d'Ivoire and Senegal, ICT exports were even higher, at around 15 per cent of service exports in 2021.

A global IT spending surge, led by a 30 per cent rise in infrastructure-as-a-service, coupled with the growing reliance on remote work, opens doors for Africa. The “normalization” of remote work positions African countries to compete effectively in IT offshoring and nearshoring, especially with the continent's favourable time zones in relation to Europe, a young and untapped talent pool and competitive labour costs. ITC research identifies trade and retail, financial services, healthcare, telecommunications and agriculture as promising sectors.

In response, many governments prioritize ICT development, such as laying underwater fibre-optic cables and setting up fibre-optic networks. Large African economies have launched national broadband policies to promote ICT infrastructure development. Governments are also promoting public-private partnerships, as with Huawei in South Africa and the China International Telecommunication Construction Corporation in the Democratic Republic of the Congo.

Africa is positioned to become a business and technology services hub for clients across the continent, Europe and the United States (ITC, 2024). Mobile phone and Internet penetration create a solid foundation for digital access and future growth. Underdeveloped technological infrastructure and a limited pool of IT/BPM providers pose challenges, however, especially in smaller markets. While Kenya, Nigeria and South Africa are piloting 5G connectivity and have developed next-generation mobile and digital networks, smaller economies still rely on legacy network technologies such as 3G.

The African Continental Free Trade Area (AfCFTA) can help boost the tech sector by creating a larger market for digital services and promoting cross-border trade in ICT goods and services. By enlarging the labour pool, the AfCFTA can also address the challenge of skills shortage. The opportunities presented by the global digital landscape position Africa for significant growth.

Source: ITC.



A market trader uses an application on her tablet to manage her stock and sales in Dakar, Senegal.

Box 9

African Continental Free Trade Area Digital Trade Protocol

The African Continental Free Trade Area (AfCFTA) Protocol on Digital Trade (PDT) is aimed at harnessing digital technologies to drive economic growth, foster innovation and promote inclusive development. Signed by African Union member states in February 2024, the PDT seeks to create a conducive regulatory environment for digital trade, facilitate cross-border e-commerce, and enhance digital connectivity and infrastructure.

Address regulatory barriers and harmonize digital trade rules

A key objective of the PDT is to harmonize digital trade rules within Africa. By establishing common standards for e-commerce, the PDT aims to streamline regulatory processes, reduce compliance costs and facilitate cross-border transactions, so that businesses and consumers can fully benefit from digital trade.

Develop digital infrastructure and connectivity

The PDT prioritizes the development of digital infrastructure and connectivity to bridge the digital divide and promote digital inclusion. The PDT encourages members to invest in Internet broadband expansion, digital literacy programmes and advanced technologies such as 5G networks. By improving digital connectivity, especially in underserved areas, the PDT aims to empower small and medium-sized enterprises and marginalized communities.

Establish robust data governance

The PDT emphasizes the importance of data protection and privacy in digital trade. It seeks to establish robust data governance frameworks that safeguard privacy rights and protect sensitive personal information. By promoting data sovereignty and enhancing cybersecurity measures, the PDT aims to build trust and confidence in digital transactions, thereby facilitating greater adoption of e-commerce and online services.

Promote digital innovation and entrepreneurship

A key focus of the PDT is to promote digital innovation and entrepreneurship. It encourages members to create ecosystems for startups, digital entrepreneurs and technology-driven enterprises by providing access to financing, fostering collaboration between academia and industry, and promoting R&D in emerging technologies. By nurturing a vibrant digital ecosystem, the PDT aims to unleash the potential of African innovators and drive sustainable economic growth and job creation.

Invest in education and training

The PDT recognizes the importance of capacity building and skills and calls for investments in education and training programmes to equip African youth with the digital skills in areas such as coding, digital marketing, e-commerce management and cybersecurity. The PDT aims to build a knowledgeable and skilled workforce capable of driving digital transformation and innovation across Africa.

Source: AfCFTA Protocol on Digital Trade.



A student studying at the College of Science and Technology at the University of Rwanda, Kigali.

Box 10

Regional approach: ECOWAS E-Commerce Strategy and Implementation Plan 2023-2027

At the core of the strategy launched by the Economic Community of West African States (ECOWAS) lies a vision aimed at establishing a sustainable, inclusive and secure e-commerce ecosystem – a vision that dovetails broader objectives such as technology-driven structural transformation, regional integration and job creation.

The strategy outlines four strategic goals:

1. **Strong institutions:** Anchoring e-commerce within ministries of trade, providing support for e-commerce development, and monitoring national and regional e-commerce initiatives.
2. **Trust along the supply chain:** Harmonizing and updating legal and regulatory frameworks, ensuring access to secure digital payment systems and reviewing digital addressing experiences.
3. **E-commerce intelligence:** Improving data and statistics, monitoring e-commerce trends, and supporting participant growth through communication and capacity-building programmes.
4. **Inclusion:** Targeting inclusive e-commerce development, particularly focusing on vulnerable groups such as women, youth, people with disabilities, the informal sector and small rural producers.

To turn the vision into reality, a detailed implementation plan outlines 19 strategic objectives and 64 measures. To ensure practical accountability during the implementation phase, a robust monitoring and evaluation framework, accompanied by indicative targets, has been established.

For effective strategy implementation, the ECOWAS Commission has proposed the establishment of a governance framework encompassing stakeholders from various regional and national institutions. This collaborative approach underscores the commitment to realizing the vision of a vibrant and inclusive e-commerce ecosystem across the ECOWAS region.

Source: See <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/Jobs/RD-COMTD-AFT/39-02.pdf&Open=True>.



Farmers use a digital application in a pepper field in Saint Louis, Senegal.

Box 11

National approach: The Kenya National Digital Master Plan 2022-2032

Kenya's Plan outlines a comprehensive strategy to leverage digital technologies for economic development, social inclusion and sustainable growth over the next decade. At the core is the goal of accelerating Kenya's digital transformation by building a resilient digital infrastructure that enables ubiquitous connectivity and access to affordable digital services for all citizens. This involves expanding broadband coverage, improving network quality and reliability, and promoting the adoption of advanced technologies such as 5G networks and Internet of Things devices.

Fostering innovation and entrepreneurship

By enhancing digital connectivity, the Plan seeks to bridge the digital divide and empower individuals and communities to participate fully in the digital economy. Furthermore, it prioritizes the development of a vibrant digital ecosystem that fosters innovation, entrepreneurship and job creation. This includes initiatives to support startups and small businesses, promote digital skills development, and encourage investment in R&D and technology incubation. Nurturing a conducive environment for digital innovation will unleash the creativity and potential of Kenyan entrepreneurs and drive sustainable economic growth.

Fostering digital inclusion and empowerment

In addition to fostering innovation and entrepreneurship, the Plan emphasizes the importance of digital inclusion and empowerment. It seeks to ensure that all Kenyan citizens, regardless of location or socioeconomic status, have access to the tools, skills and opportunities needed to thrive in the digital age. This involves initiatives to promote digital literacy, provide affordable access to digital devices and services, and empower marginalized communities, including women and youth, to participate in the digital economy.

Building trust and confidence in the digital ecosystem

The Plan recognizes the critical role of digital governance and cybersecurity in building trust and confidence in the digital ecosystem. It calls for the establishment of robust regulatory frameworks and cybersecurity measures to protect individuals' privacy, secure digital transactions and safeguard critical infrastructure from cyber threats. By promoting good governance and cybersecurity best practices, the Plan aims to create a safe and secure digital environment that fosters innovation, investment and economic development.

Digitalizing key sectors

Another key focus of the Plan is the digitalization of key sectors such as healthcare, education, agriculture and government services. By leveraging digital technologies to improve service delivery, enhance efficiency and promote transparency and accountability, the Plan aims to address pressing social and economic challenges and improve the quality of life for all Kenyan citizens. This includes initiatives to digitize healthcare records, expand access to online education and e-learning resources, deploy smart agriculture solutions, and streamline government processes through e-governance initiatives.



A local pastoralist from the Rendille Community, Kenya, uses a smart phone to access weather updates.

Source: The Kenya National Digital Master Plan 2022-2032, available at <https://cms.icta.go.ke/sites/default/files/2022-04/Kenya%20Digital%20Masterplan%202022-2032%20Online%20Version.pdf>.

Trade facilitation

Trade facilitation a priority

91%

of partner country responses

79%

of donor responses

Trade facilitation is an area where Aid for Trade has a measurable impact in the view of 83 per cent of partner country respondents. Trade facilitation helps streamline customs procedures and simplify trade processes. By minimizing delays and uncertainties associated with border clearance, trade facilitation enhances the efficiency of cross-border trade transactions. The associated reduction in the cost and time to trade are particularly valuable for landlocked developing economies and resource constrained LDCs.

The WTO's Agreement on Trade Facilitation (TFA) is the multilateral legal framework that promises to improve predictability and to reduce the costs of trade facilitation efforts. The TFA provides an opportunity for developing economies and LDCs to build institutional capacity and upgrade trade infrastructure by leveraging access to modern trade facilitation practices and technical assistance.

The results of the 2024 M&E exercise show that trade facilitation and the TFA is a priority for developing economies and LDCs (see Table 5). Of the partner country respondents, 91 per cent highlighted that trade facilitation remains a key area of Aid for Trade support and 85 per cent indicated that improvements in trade facilitation were a key target in their national development strategies or trade-specific strategies.

Trade facilitation is also the top priority in donors' development cooperation strategies,

with 79 per cent of donor responses identifying the topic as a key area of interest in their development cooperation strategies. In addition, 73 per cent of donors highlighted trade facilitation as a key area of measurable impact in their Aid for Trade support.

Jamaica is one of several respondents to specifically highlight references to trade facilitation in its national development strategy, Vision 2030 Jamaica, which places emphasis on strengthening national capabilities for investment promotion and trade facilitation. In its response, Honduras also noted that trade facilitation should be considered as a public policy and cooperation space that can have a positive impact on welfare and contribute to the achievement of the United Nations Sustainable Development Goals (SDGs). Box 12 highlights a regional approach to trade facilitation cited by both Costa Rica and Honduras in their survey replies.



A farmer tends to his crop in a greenhouse in Manchester, Jamaica.

Table 5 Aid for Trade priorities: Trade facilitation objectives

Partner countries	Responses in questionnaire
Asia and the Pacific	
Sri Lanka	National export strategy prioritizes trade support functions such as market analysis, trade promotion activities, credit guarantee schemes and simplified, predictable trade facilitation measures
Latin America and the Caribbean	
Jamaica	Vision 2030 Jamaica places emphasis on strengthening national capabilities for investment promotion and trade facilitation
Donors	
Bilateral donors	
Australia	South Asia Regional Trade Facilitation Program supports economic growth and women's economic empowerment through trade, integration and connectivity, primarily along the Eastern Corridor of South Asia (Bangladesh, Bhutan, India, Nepal) The region is one of the least integrated in the world, facing significant trade costs and with some of the most marginalized communities and lowest indicators for women's economic empowerment
European Union	ECOWAS Interconnected System for the Management of Goods in Transit (Système interconnecté de gestion des marchandises en transit, SIGMAT) falls under the Trade Facilitation West Africa Programme and funded by European Union, Germany, Netherlands and United States Agency for International Development Purpose of SIGMAT is to interconnect customs IT systems to smooth flow of goods SIGMAT now operational in Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mali, Niger, Senegal and Togo Various customs administrations will now work together to ensure information on transit cargoes, once declared at the country of departure, is shared simultaneously electronically with customs offices of the country of arrival
France	Created in November 2017, STOA is a joint-stock company with a capital target of €600 million (€500 million from Caisse des Dépôts et Consignations and €100 million from l'Agence Française de Développement), with an annual commitment rate of around €100 million STOA invests in access infrastructure for essential services in new greenfield projects, primarily in Africa and in the energy, transport, water, telecommunications and social infrastructure sectors In 2023, STOA underwent recapitalization, enabling the launch of a second phase of investments – STOA 2, with maximum commitment target set at €1.5 billion, including partial recycling of proceeds and co-investments from third parties via regional investment platforms Africa remains a priority, with a minimum investment goal of 50 per cent, while geographical expansion into the Balkans and Central Asia is proposed

Donors	
Germany	German Alliance for Trade Facilitation and the Global Alliance for Trade Facilitation have projects in more than 20 countries with an aim of bringing together companies, associations and government institutions to work on the implementing the WTO's Trade Facilitation Agreement (TFA), combining goals of development cooperation with interests of business Both alliances work to implement trade facilitation measures that lead to a measurable reduction in time required for customs procedures and movement of goods Reduction in transaction costs benefits companies and, most importantly, partner countries Local suppliers are strengthened and integrated into global supply chains, stimulating development of new markets
Intergovernmental organizations	
African Development Bank (AfDB)/Canada	Africa Trade Fund (a partnership with Canada) supports the delivery of Aid for Trade to African economies to improve supply-side capacity of producers and traders Trade facilitation projects implemented by the fund include: ▪ Namanga one-stop border post project ▪ Senegal customs facilitation project ▪ Sao Tomé and Príncipe trade facilitation project ▪ Women cross-border traders project in the Mano River Union
European Bank for Reconstruction and Development (EBRD)	Trade Facilitation Programme strengthens ability of local banks to provide trade financing and support entrepreneurs in increasing access to import and export trade Over 100 issuing banks in 26 countries with total limits in excess of €3 billion participate, working with over 800 confirming banks and subsidiaries throughout the world
World Bank	Long-term assistance under the “Western Balkans Stronger” project offers support to Balkan countries to help deliver their of trade facilitation and competitiveness agenda This involves investments in the main regional corridors, analytical activities and technical assistance for improving the policy and regulatory framework and harmonizing them with the EU regulations Trade Facilitation Support Program provides technical assistance and capacity-building support to improve WTO TFA alignment in the region and includes: ▪ support for National Trade Facilitation Committees ▪ authorized economic operator schemes ▪ joint border controls ▪ review of fees and charges ▪ risk management ▪ time-release studies ▪ digitalization of advance rulings ▪ trade information portals ▪ national single window blueprints

Source: Joint OECD-WTO M&E exercise.

Box 12

Central American Trade Facilitation and Competitiveness Strategy

In 2015, the Central American Integration System (Sistema de la Integración Centroamericana, SICA) began an initiative to enhance trade facilitation and competitiveness across the region. The Central American Trade Facilitation and Competitiveness Strategy (Estrategia Centroamericana de Facilitación del Comercio y Competitividad, ECFC-2015)* was launched as a collaborative effort of the Governments of Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua and Panama, and was aimed to simplify import and export processes while reducing logistical costs among its members.

At its core, ECFC-2015 focused on implementing a Coordinated Border Management (Gestión Coordinada de Fronteras, GCF) to fostering cooperation between public agencies and the private sector to:

- increase revenue;
- enhance control mechanisms;
- fortify border security;
- facilitate smoother transit of goods and people.

Together with SICA, technical support and cooperation from international partners such as the Inter-American Development Bank (IDB) and the United States Agency for International Development played a crucial role in driving the initiative forward.

ECFC-2015 has helped to reduce the time and costs of trade operations, and strengthened regional integration and advances in digitalization and innovation of foreign trade. Moreover, it has spurred regulatory harmonization, modernized infrastructure and integrated cutting-edge technologies into operational border management. Some of the tangible tools implemented include the Central American Digital Trade Platform (Plataforma Digital de Comercio Centroamericana), enhancements to Single Windows for Foreign Trade and the adoption of the Central American Single Declaration (Declaración Única Centroamericana).

Among these achievements, challenges such as budgetary constraints and inter-institutional coordination hurdles emerged. Therefore, in December 2023, SICA leaders presented an updated strategy – ECFC-2023** – tailored to meet evolving global trade dynamics.

Building upon past successes and addressing persistent challenges, ECFC-2023 aims to further expedite cross-border trade processes, maintain robust control mechanisms and drive down logistics costs while enhancing competitiveness. Notably, the revised strategy extends implementation across all modes of transportation, including air, land and maritime.



A worker in Costa Rica's Todos los Santos region spreads coffee cherries out to dry in the sun.

* Available at <https://sde.gob.hn/wp-content/uploads/2017/08/Acuerdo-No.-01-2015-COMIECO-LXXIII.pdf>.

** Available at <https://portaldecomercio.comex.go.cr/comunicados/estrategia-centroamericana-de-facilitacion-del-comercio-y-la-competitividad-2023>.

Sri Lanka noted that its national export strategy prioritizes trade support functions such as market analysis, trade promotion activities, credit guarantee schemes and simplified, predictable trade facilitation measures. Specific policies aimed at promoting trade facilitation were also cited by Equatorial Guinea and Costa Rica.

In their responses, Guatemala, Jamaica and Zimbabwe highlighted trade facilitation as an area where future Aid for Trade support is needed. Burundi, Jamaica and Saint Kitts and Nevis all highlighted the need for further Aid for Trade support to help them implement their category C trade facilitation commitments.

Germany and the United States highlighted the Global Alliance for Trade Facilitation as an example of a public–private partnership with multi-donor funding. Table 5 provides further examples of Aid for Trade support for trade facilitation.

Box 13 shows the current progress on implementation commitments of the TFA of partner countries compared to LDCs and developing economies and all WTO members.

Cargo is unloaded at the interisland shipping terminal in Port Vila, the capital of Vanuatu.



Box 13

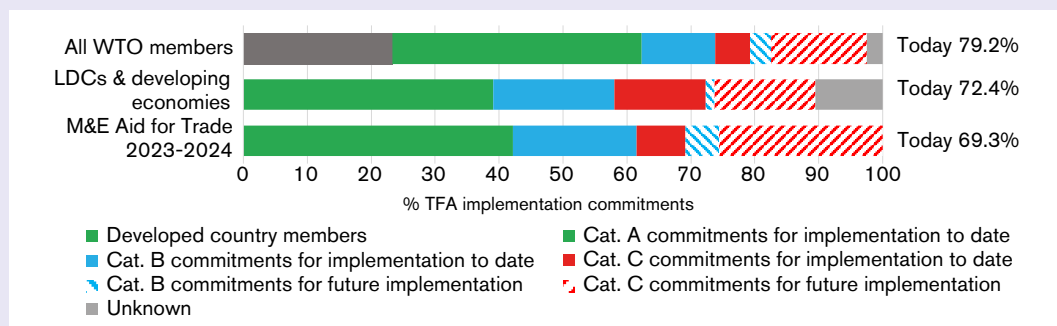
Implementation of Trade Facilitation Agreement commitments

Special and differential treatment (SDT) provisions in the TFA allow developing economies and least-developed countries (LDCs) to determine when they will implement individual provisions of the Agreement and to identify provisions that they will only be able to implement upon the receipt of technical assistance and support for capacity building.

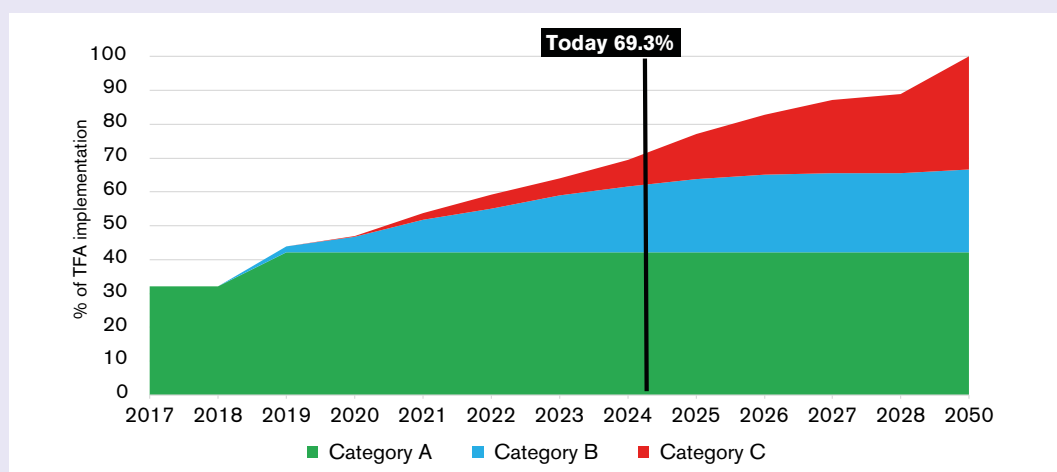
To benefit from SDT, a member must categorize (A, B or C) each provision of the Agreement and notify other WTO members of these categorizations in accordance with specific timelines outlined in the Agreement.

- Category A: provisions that the member will implement by the time the Agreement enters into force (or in the case of an LDC within one year after entry into force);
- Category B: provisions that the member will implement after a transitional period following the entry into force of the Agreement;
- Category C: provisions that the member will implement on a date after a transitional period following the entry into force of the Agreement and requiring the acquisition of assistance and support for capacity building.

Progress on implementation commitments



Status of implementation commitments of partner countries



Source: See https://www.wto.org/english/tratop_e/tradfa_e/tradfatheagreement_e.htm and <https://tfadatabase.org>. Today refers to 31 March 2024.

Expert opinion



Future directions of trade facilitation support

By Birgit Viohl, Head, Trade Facilitation Agreement Facility

With WTO members advancing in their implementation of the WTO Trade Facilitation Agreement (TFA), the following trends in the implementation can be observed.

One is the acceleration of digitalization and use of new technologies. Whilst earlier digital solutions were often limited in scope to one government agency and offered few services, recent efforts focus on entire supply chains and cross-border digital exchanges, and use advanced digital technologies to augment automation and control measures (WCO/WTO, 2022).

Another is the integration of SPS-related procedures when implementing the TFA. Customs administrations have been early and active supporters of the TFA. The past years has seen the emergence of TFA-based approaches to facilitate trade in agrifood products. Initiatives such as the Standards and Trade Development Facility (SDTF) support members transitioning to risk-based inspections and digitalization.

The latest evolution is the implementation of the TFA in support of climate goals and the transition to a green economy. Climate-smart trade facilitation, for example, looks at the reduction of the carbon footprint of government in cross-border trade.* Trade facilitation is also seen as an imperative to increase logistics efficiency and cut transport-related carbon emissions. Another aspect is how the implementation of the TFA and trade-related measures to protect the environment may come together.

Trade in many products is placed under legal frameworks that seek to preserve and protect the environment. This includes multilateral environmental agreements such as the Convention on International Trade of Endangered Species of Wild Fauna and Flora (CITES) and the Basel, Rotterdam and Stockholm (BRS) Conventions, which deal with hazardous wastes and pollutants, as well as domestic measures, such as trade-related plastics measures.** Trade in products such as timber, chemicals and plastics is becoming increasingly complex. WTO members can implement approaches from the TFA to reduce the administrative burden for legitimate trade and contribute to fighting deforestation, plastic waste and pollution, and the loss of biodiversity.

The Green Customs Initiative is a partnership by the Secretariats of the numerous multilateral environmental agreements and intergovernmental organizations. It supports customs and other border agencies with the simultaneous objectives of fighting illicit trade and facilitating legitimate trade. The Secretariats of CITES and the Basel, Rotterdam and Stockholm Conventions pursue the digitalization of their certification and cross-border notification mechanisms. Linkages between these initiatives and the implementation of the TFA will increase, as they allow governments to better respond to the environmental challenges. This opens new areas of work such as the collaboration between customs and environmental authorities, and the electronic tracing and exchanging of sustainability claims and certifications.***

* See Duval and Hardy (2021) and <https://unctad.org/system/files/non-official-document/GFS74-Celine-Bacrot-TF-and-Climate-change.pdf>.

** Dialogue on Plastics Pollution and Environmentally Sustainable Plastics Trade: Factual Report of the Trade-related Plastics Measures (TPRMS) Survey, WTO document INF/TE/IDP/W/11, 4 October 2023.

*** See https://unece.org/sites/default/files/2023-10/WhitePaper_DigitalProductConformityCertificateExchange.pdf.

Inclusive trade growth: women's economic empowerment and job creation

Women's economic
empowerment, gender
equality and job creation
a priority

82%
of partner country
responses

91%
of donor responses

Key strategic objectives that emerge strongly in national development strategies are women's economic empowerment, gender equality and job creation. They were recognized as a priority by 82 per cent of partner country responses (see Table 6).

Jordan highlighted that its strategy – Economic Modernisation Vision: Unleashing Potential to Build the Future – seeks to create one million new jobs over the next decade, enhance global competitiveness, improve environmental sustainability and expand into high-value services and industrial sectors. The vision targets emerging sectors with high growth potential to enhance Jordan's global competitiveness and provide more income opportunities that are expected to directly impact women's empowerment.

Women's economic empowerment is also highlighted as a central priority in both Mali and Sri Lanka's national export strategies and among the targets of Ecuador's support for sustainable rural production systems. Costa Rica highlighted its Action Plan 2023-2026 for the National Policy for Effective Equality between Women and Men

2018-2030 (Política Nacional para la Igualdad Efectiva entre Mujeres y Hombres 2018-2030). Niger identifies supporting women and young people in business and entrepreneurship as a priority for future programming.

Women's economic empowerment and gender equality also ranks highly in the answers of donors, with 91 per cent of responses highlighting this issue as a priority in their development programming. Austria identifies gender equality as a cross-cutting theme to be taken into account in its programming, alongside environment and climate protection. Germany too has moved to a feminist development policy that supports gender-equitable socioecological economic transformation.

Gender equality lies at the heart of Canada's Feminist International Assistance Policy and is also cited as a priority area in the Netherlands development programming, as well as that of New Zealand and Chinese Taipei.

Bank employees in
Jordan check the stock
market prices.



Table 6 Aid for Trade priorities: Inclusive trade growth objectives

Partner countries	Responses in questionnaire
Africa	
Lesotho	National Strategic Development Plan II includes strategies to stimulate economic development and job creation
Mauritius	To accelerate employment creation, Government will align policy with evolving global economic trends and aspirations of population, especially youth
Asia and the Pacific	
Sri Lanka	Women's economic empowerment a central priority in national export strategies
Latin America and the Caribbean	
Costa Rica	Foreign Direct Investment Strategy 2023–2026 aims to promote, attract and retain investments that boost employment and exports Strategy aims to incentivize the development of human talent, boost digital skills development and provide programmes for young people Government aims to create 100,000 jobs, with 8,000 of them located outside the Greater Metropolitan Area Action Plan 2023-2026 for National Policy for Effective Equality between Women and Men (Política Nacional para la Igualdad Efectiva entre Mujeres y Hombres 2018-2020) announced in June 2023
Ecuador	Creation of Opportunities Plan 2021-2025 (Plan de Creación de Oportunidades 2021-2025) includes objectives, policies and targets, with a focus on economic development, job generation and social well-being First economic development objective aims to increase employment and improve labour conditions
Donors	
Bilateral donors	
Australia	Australia's International Development Policy for a Peaceful, Stable and Prosperous Indo-Pacific, released on 8 August 2023, reflects a whole-of-country approach to development, including trade Policy commits Australia to work with Southeast Asian partners to sustain and protect hard-won development gains, including by jointly investing in reforms Economic productivity and investment in decent jobs, innovation and clean energy transition are critical to region's future 80 per cent of development investments will address gender equality effectively, and all new projects over A\$ 3 million must have a targeted gender equality objective
Austria	Gender equality to be considered in programmes, alongside environment and climate protection
Germany	Feminist development policy supports gender-equitable socioecological and economic transformation

Donors	
Netherlands	Africa Strategy of the Netherlands 2023-2032 presents an integrated approach to cooperation with Africa, with the aim of effective trade agreements, stronger economic ties and improved access for Dutch businesses to the African market, in combination with support for African partners to gain enhanced access to European market Making raw materials and value chains more sustainable should result in improved European access to vital raw materials and greater added value and employment opportunities in Africa Major role for close European African collaboration on equitable and inclusive energy transitions on the basis of renewable energy, focused on achieving universal access Collaboration desirable on secure and inclusive digitalization that will contribute to economic opportunities and employment as well as improved access to social and health services
Sweden	Reform agenda of development assistance, adopted November 2023, includes trade as one of the main priorities and closely linked to strengthening synergies between international development assistance and trade and investment Important areas for trade include: ▪ sustainability in value chains ▪ digitalization ▪ formalization of domestic sector in partner countries ▪ creation of employment opportunities ▪ strengthening involvement of Swedish private sector
Switzerland	Development strategy has four main priorities: ▪ jobs ▪ climate change ▪ migration ▪ rule of law

Source: Joint OECD–WTO M&E exercise.

Australia points to the target that 80 per cent of all development investments will address gender equality effectively, and all new projects over A\$ 3 million must have a targeted gender equality objective. The Inter-American Development Bank (IDB) also highlights gender among the indicators in its Corporate Results Framework, which tracks the IDB Group's performance and contributions. In addition, the Gender Equality Strategy 2022-2025 of the United Nations Development Programme (UNDP) foresees UNDP working with countries and partners to accelerate development results for women – as does the programme of the United Kingdom.

Among South–South respondents, the State of Kuwait affirms that development

projects financed by the Kuwait Fund cover the goals of sustainable development, most notably the eradication of poverty, the provision of quality health care, welfare, education and gender equality.

The M&E exercise highlights a commitment among respondents to working towards more inclusive trade, providing greater and better opportunities, particularly MSMEs, gender equality and strategic actions that promote sustainable development. Aid for Trade can play an important role in supporting increased gender equality and sustainable development, including by addressing the systemic structural (formal and informal) barriers faced by women to access trade and financing opportunities.

Jobs and youth employment

Employment creation also ranks highly in national development strategies (82 per cent of partner country responses), together with youth employment and skills (79 per cent). This priority is also shared by donors (76 per cent of responses). Box 14 provides examples of Aid for trade projects and job creation.

Youth employment a priority

79%
of partner country
responses

76%
of donor responses

Box 14

Examples of Aid for Trade projects targeting job creation

Australia

Australia noted that it has a portfolio of multilateral and multi-regional Aid for Trade programmes that successfully support developing economies and least-developed countries to participate in and benefit from the global rules-based trading system, and to use trade and investment as a tool for inclusive and sustainable development. These investments promote economic integration, resilience and prosperity.

Based on programme reporting, they have resulted in the creation of 2.8 million local jobs and supported over 700,000 micro, small and medium-sized enterprises (MSMEs) to engage more in trade or benefit from reduced barriers to trade. Programmes specifically promote global rules and norms, enabling partner countries to access and benefit from international trade, and they include partnerships with:

- Advisory Centre on WTO Law;
- Enhanced Integrated Framework;
- Standards and Trade Development Facility;
- World Bank's Trade Facilitation Support Program;
- World Intellectual Property Organization's Funds-in-Trust.



Reef fish for sale at Gizo market, the Solomon Islands.

European Union

In May 2021, European Commission President Ursula von der Leyen announced the Team Europe initiative Investing in Young Businesses in Africa (IYBA). It helps early-stage businesses and young entrepreneurs in Africa to launch and grow sustainable, strong and inclusive businesses, and create decent jobs in the process by:

- extending financial and technical support to businesses in their early stages;
- strengthening the organizations that support them;
- placing particular focus on women and young entrepreneurs.

IYBA encompasses programmes financed by the European Union and by 11 EU member states, which together amount to €4.6 billion. It has launched nationally in Senegal, Togo, Nigeria, Kenya and Comoros, with Cameroon and Benin expected to follow soon.

New approaches are being tried. For instance, the IYBA Supporting Entrepreneurial Ecosystem Development programme is strengthening the entire ecosystem of organizations that support entrepreneurship in five African countries. It is doing so over a longer time period and in a more holistic way than has been done before.

Another new IYBA programme is Women Entrepreneurship for Africa (WE4A). Together with Germany's main development agency – GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), the European Union is partnering with the Tony Elumelu Foundation and equity investment funds to provide women entrepreneurs with training, technical support and clear opportunities to access finance at each stage in the growth of their businesses.

In addition, IYBA Invest is a blended finance programme which will enable I&P, an impact investment fund, to invest in local funds, which will in turn invest up to €500,000 in promising early-stage businesses and entrepreneurs.

Inter-American Development Bank

The Inter-American Development Bank pointed to the Support Program for Knowledge Economy Exports as an example of an Aid for Trade initiative. This programme represents an ambitious effort to propel Argentina's knowledge economy sectors to new heights, primarily by boosting exports. It aims to bridge the gap between academia and industry, particularly in artificial intelligence (AI) and other advanced technologies, and promote the internationalization of companies, ensuring a robust pipeline of skilled professionals.

With initiatives such as creating an intermediation platform, the programme anticipates not only nurturing talent – upskilling 10,000 people –but also catalysing job creation, with an expectation of 35,000 new jobs. Moreover, it targets a substantial surge in sector exports, envisioning an increase of US\$ 4.28 billion while significantly enhancing the adoption of AI and other advance technologies by 27 per cent among participants. This comprehensive approach is set to unlock a wave of entrepreneurial and technological advancement, solidifying Argentina's position in the global knowledge economy.

Source: Joint OECD–WTO M&E exercise.

Micro, small and medium-sized enterprises

The expansion of the MSME sector and their exports is a target that is closely aligned with job creation and employment. MSMEs account for 90 per cent of businesses and more than 50 per cent of employment worldwide.² Of partner country responses, 79 per cent indicated that their national development strategies included targets to expand the MSME sector as a priority.

Expansion of MSME sector
a priority

79%
of partner country
responses

73%
of donor responses

For example, Lesotho cites its National Trade Policy Framework 2021-2025, which identifies policy and regulatory interventions designed to advance the country's development aspirations and to create a conducive business environment for the private sector, including MSMEs. The Framework acts as a blueprint for the Government, private sector and development partners in their efforts to expand the productive capacities of MSMEs in potential strategic export sectors of horticulture, textiles and apparels and light industries. MSMEs also feature

in the national policy strategies of Ecuador, Equatorial Guinea, The Gambia and Jordan.

Growth of the MSME sector is also cited as a development priority by 73 per cent of donor responses. Box 15 provides examples of supply chain finance for MSMEs. An example cited by UNDP in its response was support to the African Continental Free Trade Area in connecting MSMEs, especially businesses owned or led by women and young people, to markets through business-to-business engagements.

Box 15

Supply chain finance supporting micro, small and medium-sized enterprises

The Supply Chain Finance Program (TSCFP) and Microfinance Program of the Asian Development Bank (ADB) play an essential role in filling gaps for trade and supply chain funding, estimated at US\$ 2.5 trillion in 2022, and to help micro, small and medium-sized enterprises to grow. In 2022, the TSCFP supported over 10,000 transactions valued at more than US\$ 7.7 billion, with important assistance committed for farmers and for strengthening food security. Over 6,300 of the transactions involved small and medium-sized enterprises.

TSCFP provides guarantees and loans, mobilizing significant amounts of private sector financing to help close the trade finance gap. In 2022, it established the Food Security Facility as part of US\$ 1.5 billion provided for transactions relating to food security, which included ADB commitments of US\$ 530 million. It also launched initiatives to track and report carbon emissions throughout supply chains. In Sri Lanka, the TSCFP helped to secure imports of critically needed goods, such as medical supplies, through the Emergency Trade Finance Facility, which saw the ADB use more than \$100 million from sovereign loan projects.



A watermelon farm in Mawathawewa, Sri Lanka.

Source: Joint OECD-WTO M&E exercise.

Trade and climate change

Developing economies and LDCs also view climate change support as an important development priority. Prioritization varies across regions and countries. Of the partner country responses, 77 per cent highlighted climate change mitigation as a key priority in their development strategies. Among developing economies, there is higher prioritization of this issue in Latin America and the Caribbean and Oceania who find themselves at the frontline of climate change. This is evident in Figure 3, which illustrates the prioritization given to environmental objectives highlighted in the questionnaire.

Looking ahead, however, almost all partner countries recognized the importance of aligning Aid for Trade with climate objectives: 94 per cent of partner country respondents foresaw future needs for Aid for Trade to support the trade-related aspects of climate change. A WTO report published during COP28

Climate change mitigation
a priority

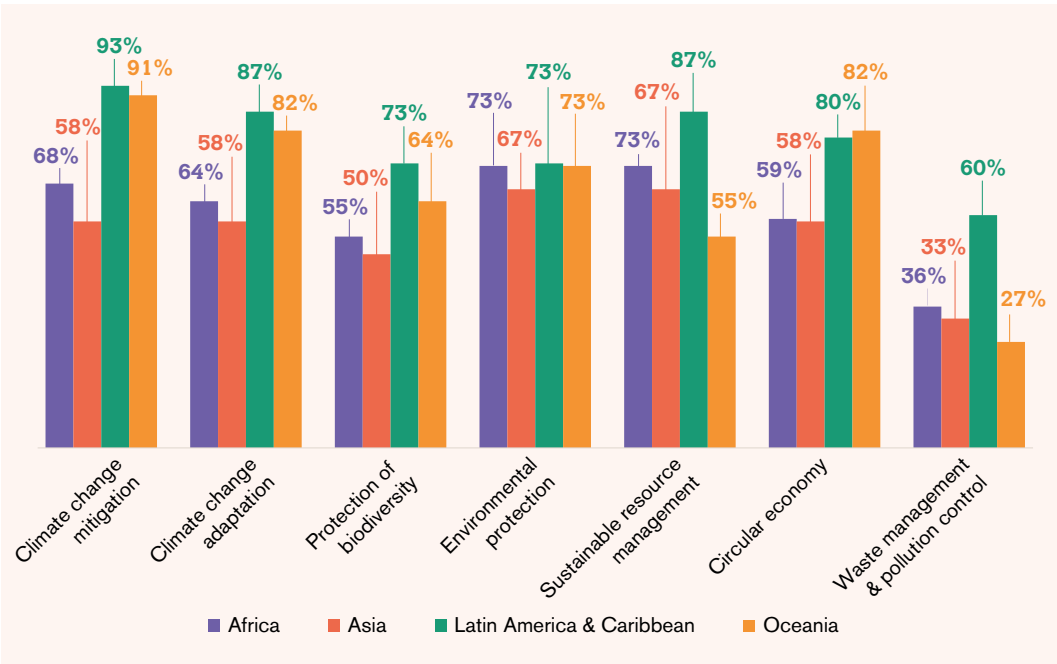
77%
of partner country
responses

94%
of donor responses

identifies trade policy tools that can speed up progress towards reaching climate goals under the Paris Agreement (WTO, 2023b).

Responses to the M&E exercise also highlighted examples of trade emerging as a theme in climate-related strategies implemented by developing economies and LDCs, and Table 7 highlights climate priorities identified by partner countries and donors.

Figure 3 Prioritization of environmental objectives by region in partner country responses



Source: Joint OECD–WTO M&E exercise.

Table 7 Aid for Trade priorities: Climate change objectives

Partner countries	Responses in questionnaire
Africa	
Mali	Strategic Framework for Economic Recovery and Sustainable Development (Cadre stratégique pour la relance économique et le développement durable – CREED 2019-2023) to fight poverty and contribute to sustainable development by providing solutions to challenges of climate change to prevent them becoming a limiting factor in socioeconomic development Aim is to strengthen capacities for prevention and management of natural risks and disasters and improvement of adaptive capacity of populations and resilience of systems
Zambia	Building capacity and green economy initiatives for stakeholders and traditional leadership to address climate change, including: ▪ supporting research and institutional development for technology relating to environmental goods and climate change ▪ reducing import tariffs and non-tariff barriers for environmental goods and services ▪ reviewing technical regulations and conformity assessment procedures ▪ proposing green standards and certification ▪ developing mutual recognition of accreditation systems and bilateral agreements to facilitate environmental initiatives and trade
Asia and the Pacific	
Pakistan	The National Climate Change Policy aims to achieve sustained economic growth by addressing climate challenges, integrating climate policies with national strategies, and prioritizing pro-poor, gender-sensitive adaptation alongside cost-effective mitigation efforts Focus on building resilient infrastructure and tracking climate impacts on water, food and energy security, with plans for remedial actions, and seeks to: ▪ minimize risks from extreme weather events ▪ develop resilient agriculture ▪ transition to cleaner development ▪ align with United Nations Sustainable Development Goals (SDGs) ▪ enhance coordination mechanisms ▪ utilize opportunities effectively ▪ promote economic incentives for adaptation and mitigation ▪ improve stakeholder capacity ▪ foster conservation for long-term sustainability
Palau	National development plan's objectives include: ▪ promoting a healthy, educated, food-secure and productive population within a social, cultural, economic and environmental setting that encourages Palauans to remain or return ▪ investing in ways that accommodate the environment and address climate change ▪ achieving diversified economic growth with a focus on small businesses and collective benefits aligned with Palauan values, including increased and higher-paying jobs, government revenues, civil service pension funds, reformed state-owned enterprises and increased private investment
Vanuatu	Key priorities of National Sustainable Development Plan 2016-2030 include: ▪ promoting and ensuring strengthened resilience and adaptive capacity to climate related, natural and human-induced hazards ▪ ensuring access to available financing for climate change adaptation and disaster risk management

Partner countries		Responses in questionnaire
Latin America and the Caribbean		
Colombia		Priority in National Development Plan 2022-2026 is productive transformation, internationalization and climate action, and will be achieved through: ▪ re-composition of productive activities ▪ prioritizing natural capital, clean energy and sustainability ▪ progressively phasing out dependence on extractive activities
Saint Kitts and Nevis		Climate change resiliency and mitigation a high priority on the Government's agenda to transform Saint Kitts and Nevis into a sustainable, developed state
Middle East		
Jordan		Economic Modernisation Vision highlights Green Jordan and Sustainable Resources as two of the eight implementation drivers for 2022-2025 Green Jordan to target sustainable practices and climate change actions enabling growth, including linking green investment opportunities to the national investment priorities and launching Green Jobs initiative Committed to addressing climate change, food security, water availability and clean energy through sustainable development initiatives Sustainability efforts align with global goals and aim to promote economic growth through investments in greener projects, sparking innovation, enhancing export competitiveness and creating sustainable jobs
Donors		
Bilateral donors		
Australia		At least half of all new bilateral and regional investments valued at more than A\$ 3 million will have a climate change objective, starting in 2024/2025, and increasing to 80 per cent in 2028/2029
Canada		Climate considerations are an important objective under the Paris Agreement Canada's previous five-year international climate finance commitment doubled in 2021, increasing to C\$ 5.3 billion by 2026 to support developing economies' transition to low-carbon, climate-resilient, nature-positive and inclusive sustainable development A minimum of 40 per cent of C\$ 5.3 billion International Climate Finance Program allocated to climate adaptation, and minimum of 20 per cent for projects that leverage nature-based climate solutions and deliver biodiversity co-benefits International climate finance commitment includes a C\$ 315 million allocation to the Partnering for Climate initiative: ▪ C\$ 300 million to support projects that use nature-based solutions to help climate-vulnerable region of Sub-Saharan Africa become more resilient to impacts of climate change ▪ C\$ 15 million to support partnering of Indigenous Peoples in Canada with indigenous peoples in developing economies around the world Up to C\$ 1 billion to the Climate Investment Funds' Accelerating Coal Transition Investment Program to help developing economies transition from coal-fired electricity to clean power, including retirement of coal mines and coal power plants Canadian Trade and Investment Facility for Development seeks to support competitiveness, economic integration and growth that is climate-smart and gender and socially inclusive

Donors	
Chinese Taipei	Special Fund for the High Impact Partnership on Climate Action partnership with European Bank for Reconstruction and Development to provide investment for policy solutions that: ▪ reduce or prevent greenhouse gas emissions ▪ protect the environment ▪ enhance adaptive capacity ▪ strengthen resilience ▪ reduce vulnerability to climate change Continued need from developing economies such as Belize, Guatemala and Paraguay for investment in climate-resilient infrastructure will spur trade
European Union	Global Gateway climate-neutral strategy will invest in developing infrastructures that are clean, climate-resilient and aligned with goals towards net-zero emissions to: ▪ speed up sustainable development and recovery ▪ create inclusive growth and jobs ▪ transition to a cleaner and more circular global economy
New Zealand	All aid programme initiatives to include environmental protection and climate change, gender equality and human rights, and child and youth well-being Financial, capacity building and technology transfer support provided to developing economies to meet their climate change goals NZ\$ 1.3 billion committed to grant-based climate finance in 2022-2025, underpinning global and regional efforts to combat climate change Guided by International Climate Finance Strategy – Tuia te Waka a Kiwa, at least half of climate finance commitment will go to Pacific region and at least 50 per cent will target adaptation
United Kingdom	Policy proposal International Development in a Contested World: Ending Extreme Poverty and Tackling Climate Change includes climate change as a priority
Intergovernmental organizations	
Asian Development Bank (ADB)	Climate Change Operational Framework 2017-2030 provides guidance to enhance resilience and strengthen climate actions in ADB operations and business processes Key priorities of Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific include: ▪ tackling climate change ▪ building climate and disaster resilience ▪ enhancing environmental sustainability By 2030, 75 per cent of committed operations will support climate change mitigation and adaptation
United Nations Industrial Development Organization (UNIDO)	Main goals of UNIDO's climate change strategy include facilitation of international industrial cooperation for climate action through global and regional alliances and partnerships to accelerate collective action, decarbonize global value chains and expand markets for sustainable industrial products, including: ▪ supporting the development and implementation of trade policies and measures consistent with the Paris Agreement and the SDGs ▪ enhancing the competitiveness and market access of low-carbon and climate-resilient products and services from developing economies and least-developed countries (LDCs) ▪ promoting the diffusion and adoption of climate-friendly technologies and practices in industrial sectors and value chains ▪ strengthening developing economy and LDC capacity to participate in international climate negotiations and access climate finance ▪ fostering regional and South–South cooperation on trade and climate change

Source: Joint OECD–WTO M&E exercise.

The trade effects of climate change are referred to in Pakistan's updated National Climate Change Policy 2021 within the context of agriculture sector impacts. The agriculture sector is the single largest sector of Pakistan's economy and accounts for 42.3 per cent of the labour force, 18.9 per cent of GDP and 80 per cent of total export earnings. Agriculture in Pakistan is greatly affected by short-term climate variability and could be significantly impacted by long-term climate change.

Climate change mitigation and adaptation are clear priorities for donors: 97 per cent and 94 per cent, respectively, reported them as priorities in their development cooperation strategies; and 78 per cent also indicated that climate-related objectives were targets for partner countries.

The 2024 M&E exercise also underscores how trade objectives are being integrated into the climate strategies implemented by donors. For instance, the climate change strategy of the United Nations Industrial Development Organization (UNIDO) prioritizes the competitiveness and market access of low-carbon and climate-resilient products and services from developing economies and LDCs as means to promote trade and sustainable development. A challenge for the private sector is emissions measurement and regulatory compliance (see Box 16).

One sector that received only limited attention in the responses of both partner countries and donors were minerals and mining and services. Expansion of the minerals and mining sector

Box 16

Emissions measurement in supply chains

Increased visibility of supply chain emissions can make a critical contribution to decarbonizing the global economy. Companies are increasingly expected to measure, report and act on emissions in their supply chains. These expectations come from consumers, business partners, regulators, investors, employees and civil society. However, poor data and inconsistent standards currently create challenges.

Reporting emissions from activities in value chains has been voluntary, with many businesses doing so to gain a competitive advantage through better insights, to attract sustainability-focused investors and to demonstrate their commitment to environmental goals.

Commonly used reporting standards provide guidance, but challenges remain as reporting approaches proliferate and companies use different emission calculation and allocation methods. Although the complexity of supply chains amplifies the challenges of measuring, tracking and reporting emissions, major developments are underway towards mandatory reporting.

Sector-specific challenges to measurement and reporting include:

(a) Agriculture and food:

- Farm production is fragmented.
- Differences in geography and biological systems affect emissions, which complicates estimates.
- Comparability is difficult where calculation methods vary.
- Small producers lack the capacity to provide data.

(b) Mining:

- Downstream emissions reporting remains elusive due to the lack of verified data, varied standards and limited incentives to work with downstream actors.

(c) Steel:

- There is a lack of common standards and incomplete reporting.
- Production processes and technologies vary, as do their environmental impact.
- As a share of total emissions, Scope 3 is lower and downstream reporting not well developed.

was identified as a priority by only 29 per cent of partner country responses and by 15 per cent of donors. Research by the International Energy Agency (IEA, 2021) suggests that the clean energy transition will have far-reaching consequences for mineral demand over the next 20 years. By 2040, total mineral demand from clean energy technologies is likely to double or could even quadruple.

Electric vehicles and battery storage account for about half of the mineral demand growth from clean energy technologies over the next two decades, spurred by surging demand for battery materials. By weight, the IEA (2021) projects mineral demand in 2040 as being dominated by graphite, copper and nickel. Lithium sees

the fastest growth rate in IEA projections with demand growing by over 40 times. As such, the prioritization of Aid for Trade towards facilitating sustainable minerals and mining export is expected to grow in line with such demand.

Moving forward, climate change is expected to further develop into a key focus area for donor development assistance. Of the donor respondents, 90 per cent noted that Aid for Trade supports the trade-related aspects of climate change. A different view was expressed by India. In its M&E survey response, India said it does not support mainstreaming of environment/ climate change issues at the WTO and that these issues are more suitably dealt with under the multilateral environmental agreements.

Data can be costly to compile, inaccurate or unavailable, and certification mechanisms are not yet well established. Industry initiatives have played an important role in testing different measurement approaches and gradually bringing about alignment among members in some sectors.

Public-private cooperation is essential for well-functioning measurement systems. The features of such systems include:

- **Accuracy:** Accurate estimates make it possible to benchmark suppliers and to track firms' progress in decarbonizing their own activities and their supply chains. They would allow firms and governments to integrate carbon footprints into procurement processes and empower consumers to make more sustainable choices. Accurate data would also facilitate firms' access to finance.
- **Feasibility:** The cost and personnel time spent on measuring and reporting should not become a distraction from the actual work of decarbonizing supply chains. IT solutions can facilitate the exchange and comparability of data.
- **Interoperability:** Standardized methodologies and interoperable technical systems for exchanging carbon footprint data are critical. They must balance accuracy with feasibility, particularly for small and medium-sized enterprises and firms in developing economies. The basic outline of a standardized system is in place, notably through the Greenhouse Gas Protocol and standards by the International Organization for Standardization (ISO). More work is needed to make sure that various approaches to measure emissions are interoperable across industries.

Source: Adapted from WEF *et al.* (2023).



Trucks await inspection at the Gatuna Border Post between Rwanda and Uganda.

Aid for Trade: future financing

Need for future Aid for Trade financing

96%

of partner country responses

91%

of donor responses

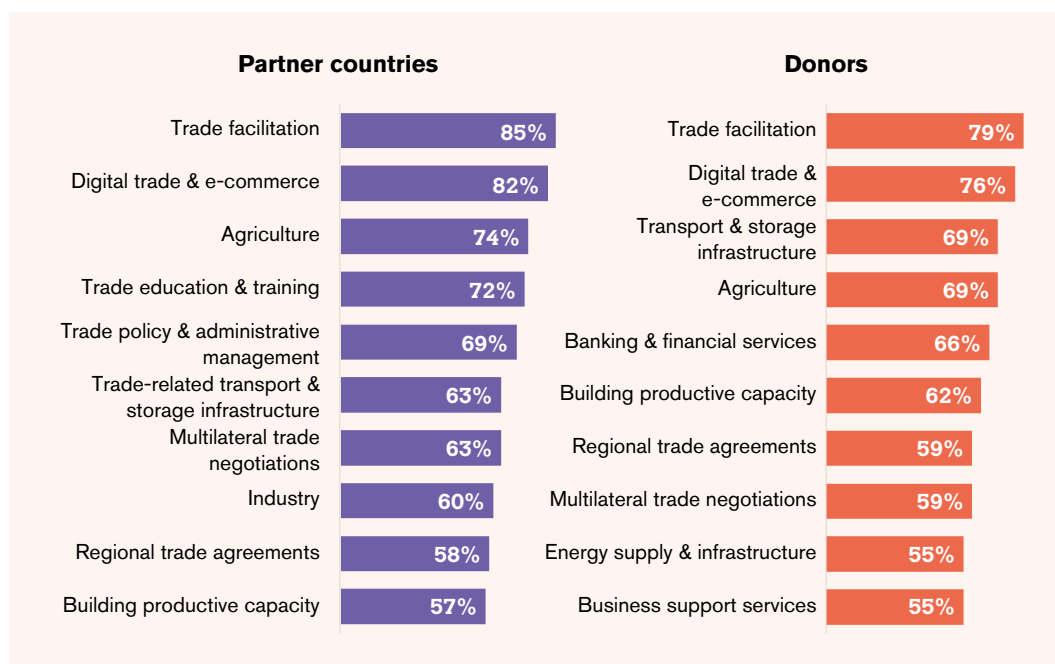
There is a clear future demand from partner countries for ongoing Aid for Trade financing, with 96 per cent of respondents indicating a continuing need. This aligns with the

perspectives of donors – 91 per cent foresaw a sustained need to provide Aid for Trade financing (see Table 8). Among them, 45 per cent indicated further financing to address all development priorities linked to trade, 30 per cent noted additional Aid for Trade to address specific thematic objectives and 15 per cent foresaw additional financing for sectoral priorities.

Although none of the donor respondents indicated plans to end providing Aid for Trade support, it is clear from the replies of donors to the questionnaire that Aid for Trade support is changing in terms of its purpose and objective – with a much greater focus on the climate and environment.

Figure 4 presents where partner countries and donors foresee future support will be needed at a sectoral level. Figure 5 presents the top ten areas where future Aid for Trade support is needed to achieve the SDGs.

Figure 4 Top ten sectors in need of continuing Aid for Trade support
(Share of responses in per cent)



Source: Joint OECD–WTO M&E exercise.

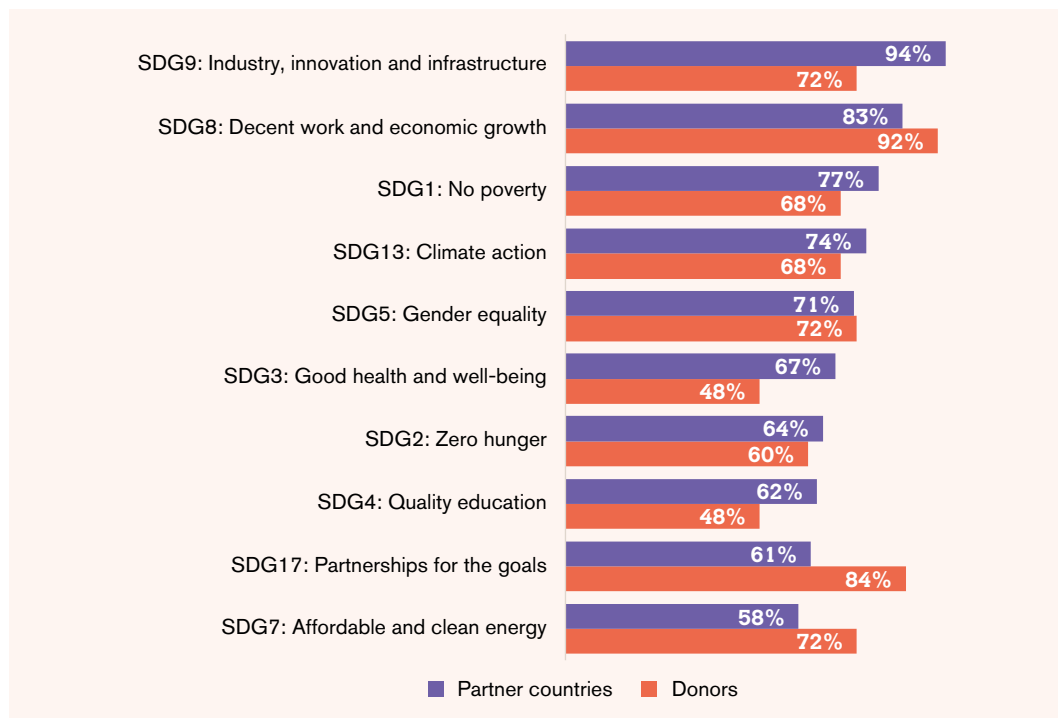
Table 8 Aid for Trade priorities: Future financing objectives

Partner countries	Responses in questionnaire
Africa	
Zambia	Need to focus on building capacity and green economy initiatives for stakeholders and traditional leadership to address climate change Advocates supporting research and institutional development for technology relating to environmental goods and climate change Reducing import tariffs and non-tariff barriers for environmental goods and services, necessitating a review of technical regulations and conformity assessment procedures Formulation of green standards and certification is proposed, along with the development of mutual recognition of accreditation systems and bilateral agreements to facilitate environmental initiatives and trade
Asia and the Pacific	
Bhutan	Need for Aid for Trade to support compliance with new environmental measures Need for support to educate private sector on utilizing better technology to mitigate or reduce greenhouse gases and other pollutants to comply with EU Carbon Border Adjustment Mechanism
Latin America and the Caribbean	
Ecuador	Need for Aid for Trade to support compliance with new environmental measures Need for technical assistance and cooperation to enable its productive sector to make a proper transition and adaptation to comply with new EU requirements, including Deforestation Regulation
Donors	
Bilateral donors	
Australia	Expects ongoing need for Aid for Trade financing for foreseeable future, especially to support least-developed countries (LDCs) Numerous challenges remain, especially inclusive trade outcomes and access to and adoption of new technologies in the context of trade Need also exists for more holistic consideration of linkages between trade, environment and climate change, and actions to accelerate climate change adaptation and mitigation More consideration globally should be given to better leveraging additional resources, including through public–private cooperation and partnerships, linking up with climate financing, and enhanced cooperation and coordination to maximize available resources

Donors	
Canada	Continued need to provide Aid for Trade financing to address inclusive, sustainable and resilient economic growth Future Aid for Trade funding will continue to bring down barriers to women's economic empowerment and build more inclusive economies, with a particular focus on: ▪ job creation and wage increases ▪ absorption of excess labour ▪ trade-induced economic growth in sectors where large numbers of poor are economically active and extent to poor are equipped to take advantage of new job opportunities Sustainable growth and green energy transition will require continued funding, for example, finance for projects supporting: land-based or offshore energy, solar, wind, waste-to-energy, hydrogen or any other forms of renewable energy; and energy efficiency or energy storage as well as products, services, technologies and related expertise Agriculture, forestry and fishing-related projects also support a sustainable and green future Need to continue financing Aid for Trade projects that strengthen economic resilience in sectors such as build infrastructure, technical assistance and trade facilitation Strengthening economic resilience can be supported through Aid for Trade projects that reduce trade costs, improve rules and administrative procedures, and link producers to markets (local and international)
European Union	Integration of developing economies and in particular LDCs into the world economy is not progressing as hoped or in line with the United Nations Sustainable Development Goal (SDG) targets Gap in global infrastructure investment significant, reaching €13 trillion by 2040 Estimated investment of €1.3 trillion per year needed to bridge this gap and achieve infrastructure-related SDGs in partner countries, while staying on track to limit climate change and environmental degradation Recent global challenges show that Aid for Trade will remain relevant
Intergovernmental organizations	
United Nations Development Programme (UNDP)	Aid for Trade an important complement to multilateral trade agenda, especially for the most vulnerable countries and LDCs which need international support to enhance trade capacities and diversify their economies and markets for better integration in global and regional markets Addis Ababa Action Agenda (AAAA) recognizes trade as a means of implementing SDGs and critical for their realization High-level Political Declaration adopted at SDG Summit in July 2023 commits to accelerating full implementation of AAAA, taking further actions to scale up financing for sustainable development and providing means of implementation for developing economies Fourth International Conference on Financing for Development, to be held in 2025, will provide opportunity to review progress in implementation of AAAA, including provisions on international trade and Aid for Trade and their contribution to SDGs

Source: Joint OECD–WTO M&E exercise.

Figure 5 Top 10 SDGs which Aid for Trade support can help achieve
(Share of responses in per cent)



Source: Joint OECD–WTO M&E exercise.

Compliance with environmental regulations and standards

A factor that may drive future need for Aid for Trade is compliance with environmental regulations and standards. In their questionnaire responses, both Bhutan and Ecuador highlight that they need Aid for Trade to support compliance with new environmental measures. Bhutan cites the EU Carbon Border Adjustment Mechanism an example of a measure for which it will need support to educate its private sector on utilizing better technology to mitigate or reduce greenhouse gases and other pollutants. Ecuador highlights the need for technical assistance and cooperation to enable its productive sector to make a proper transition and adaptation to comply with the new EU requirements, including the Deforestation Regulation.

Research by the OECD highlights that, in addition to compliance with governmental regulations, the private sector is also under pressure to effect change through its own value chains, in response to consumer and investor demand. Against the background of the on-going climate emergency, it seems clear that the intersection between Aid for Trade and a climate transition will grow in focus.

ENDNOTES

- 1 See <https://www.worldbank.org/en/topic/poverty/overview>.
- 2 See <https://www.worldbank.org/en/topic/sme/finance#:~:text=SMEs%20account%20for%20the%20majority,than%2050%25%20of%20employment%20worldwide>.