WORLD TRADE ORGANIZATION | OECD

Aid for Trade at a Glance 2024

About the OECD

The Organisation for Economic Co-operation and Development works to build better policies for better lives. Together with governments, policymakers and citizens, it works on establishing evidence-based international standards and finding solutions to a range of social, economic and environmental challenges.

About the WTO

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

Cover: (Top) A farmer works on her rice plants in Sulawesi, Indonesia. (Bottom left) The International Institute of Tropical Agriculture's Youth Agripreneurs programme is run across Sub-Saharan Africa. (Bottom right) A garment worker in a local clothing plant, Haiti.

Aid for Trade at a Glance

2024


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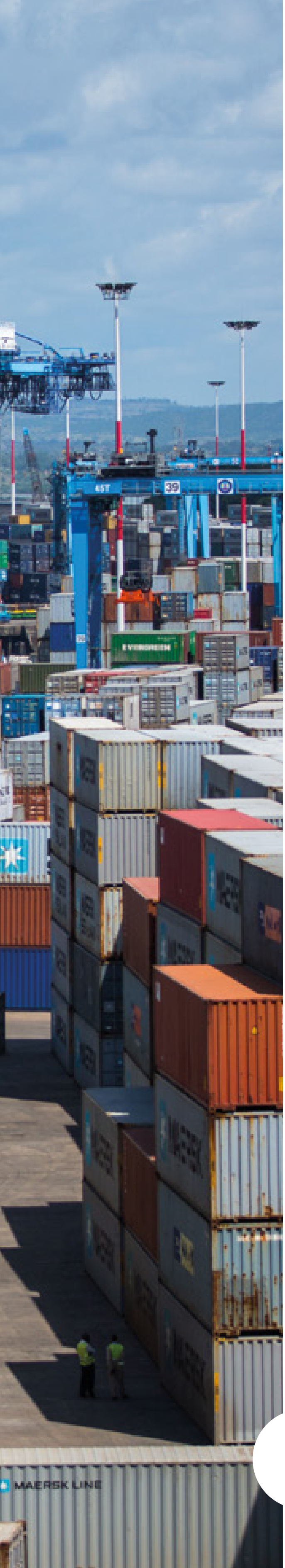

Mombasa Port, Kenya.

Foreword

The WTO's 13th Ministerial Conference (MC13), which took place earlier this year in Abu Dhabi, reaffirmed the international community's shared commitment to promote inclusive and sustainable development through trade. Aid for Trade remains a critical element of our collective commitment to ensuring that the benefits of trade are shared more widely, particularly with developing economies and least-developed countries (LDCs).

MC13 emphasized the role that Aid for Trade can play to support economic growth, poverty reduction and sustainable development. Recognizing the significant challenges faced by developing economies and LDCs, ministers underscored the need to enhance trade-related capacity building and support to facilitate their integration into the global economy. This commitment is reflected in the Aid for Trade priorities outlined by developing economies and donors, which echo the objectives set forth in the Abu Dhabi Ministerial Declaration.

The 2024 joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise provides valuable insights into the progress made since the Initiative's start in 2006 and the challenges ahead. It highlights the relevance of targeted interventions in key areas such as infrastructure development, agriculture and digitalization, which are essential for building resilient and inclusive economies.

As we navigate the complexities of the post-pandemic world, amidst geopolitical tensions, increasing debt burdens and a changing climate, trade remains a vital tool for advancing global development – and consequently, so does Aid for Trade. The digital transformation is reshaping trade, creating new opportunities and challenges for developing economies – and Aid for Trade needs to support digital infrastructure and build capacity to ensure that no country is left behind. Similarly, climate change and environmental sustainability are central issues, impacting trade patterns and shaping development priorities. Aid for Trade must address these challenges by helping developing economies transition to cleaner, more sustainable economies. Shifting geopolitical dynamics and pressures for fragmentation in global supply chains also underscore the importance of building the infrastructure and partnerships needed to pursue greater resilience, including through what the WTO calls "re-globalization": diversifying production and trade networks, providing opportunities to marginalized groups and communities. Aid for Trade has a critical role to play here.

Innovative financing mechanisms are needed to address new challenges and finance trade-related needs. Traditional forms of development finance are under stress, which calls for new models and fresh approaches. This means engaging a broader array of actors, including the private sector, and leveraging sustainable finance and blended finance mechanisms. By tapping into these innovative approaches, we can complement traditional public funding and better support trade integration and development efforts.

In conclusion, the 2024 edition of the joint WTO–OECD Aid for Trade at a Glance reaffirms our continuing commitment to leveraging trade as a force for development. By investing in Aid for Trade, we can unlock new opportunities for growth, create jobs and promote inclusive development. As we look ahead, let us work together to ensure the Aid for Trade Initiative remains effective and relevant. Together, we can work towards a more inclusive and sustainable multilateral trading system, where all countries and all people have the opportunity to thrive.

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Chapter 2 was written by the OECD. The lead author was Coralie Martin (Financing for Sustainable Development, Development Co-operation Directorate). The chapter was co-authored by Silvia Sorescu (Trade Policy Division, Trade and Agriculture Directorate, OECD). Contributions were provided by Cemre Balaban (Trade Policy Division, Trade and Agriculture Directorate, OECD), Olivier Cattaneo, Benjamin Michel, Gabriele Cristofaro (Financing for Sustainable Development Division, Development Co-operation Directorate) and Andrea Gimeno (consultant).

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This publication is also the result of extensive consultations with OECD and WTO members as well as other partners of the Aid for Trade Initiative. It benefited from reporting efforts to the OECD Creditor Reporting System, on which the data analysis is based, and answers to the joint OECD–WTO Aid for Trade Monitoring and Evaluation (M&E) survey conducted in 2023-2024. The M&E survey was managed by Théo Mbise, under the guidance of Michael Roberts and with support from Barbara Marcetich, Lucas Chiodi, Visvanathan Subramaniam and Qing Ye (Development Division, WTO).

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Executive summary

Aid for Trade delivers economic benefits for all through investments in infrastructure, trade capacity and the export industries of the future.

Between 2006 and 2022, over 90 bilateral and multilateral donors contributed a cumulative total of US$ 648 billion of funding to promote the integration of developing economies and least-developed countries (LDCs) into the multilateral trading system, unleashing their export potential and strengthening local livelihoods.

The 2024 joint OECD–WTO monitoring and evaluation (M&E) exercise provides an overview of the Aid for Trade Initiative and tracks the effectiveness of development finance flows since the launch of the Initiative, with an evolving focus on environmental and social impacts alongside traditional trade performance metrics. A cornerstone of the Initiative, the biennial M&E exercise garners information based on responses provided by Aid for Trade donors and recipients – referred to as partner countries – in self-assessment questionnaires.

Developing economies and development cooperation partners are committed to trade as a driver of economic growth, poverty reduction and sustainable development.

In a polycrisis world, Aid for Trade offers a springboard for developing economies and LDCs to help them build more resilient, inclusive and sustainable economies through the transformative power of trade. However, in a rapidly changing landscape of global trade and development cooperation, greater efforts are required to help developing economies and LDCs to benefit from emerging trade opportunities from the digital and green transition.

Despite bouncing back from the disruptions caused by the COVID-19 pandemic, developing economies and LDCs continue to face complex and multifaceted challenges. The backdrop of geopolitical tensions, climate change and the evolving nature of trade – marked by rapid growth in digital connectivity and e-commerce – underscores the necessity of a targeted approach to Aid for Trade.

Trade features prominently in the national development strategies of all 110 respondents to the M&E survey questionnaire: the strategies of 94 per cent of partner countries include trade priorities. The responses of developing economies – and in particular LDCs – show that they are looking at trade to support economic growth (95 per cent of responses) and economic diversification (79 per cent of responses).

Responses to the M&E questionnaire from partner countries show that many of the targets set out in national development strategies align with broader development objectives – notably the United Nations Sustainable Development Goals (SDGs). This intersection of trade and development has never been more relevant, as the world navigates a post-pandemic reality fraught with challenges, but also rich in new opportunities.

Renewed international commitments signal a revival in Aid for Trade.

The 2024 M&E exercise reveals a sustained commitment to Aid for Trade, as evidenced by the revival in disbursements and commitments and continued prominence of trade objectives in national development strategies. This engagement reflects a recognition that trade should both be a driver of post-COVID pandemic economic recovery and growth, and deliver inclusive outcomes for women, youth and micro, small and medium-sized enterprises (MSMEs).

Disbursements and commitments for Aid for Trade surged in 2022, surpassing pre-pandemic levels, reflecting a rebound from the disruptions brought by the COVID-19 pandemic. Disbursements reached an all-time high of US$ 51.1 billion in 2022 – a 14 per cent year-on-year increase in real terms. Commitments increased 31 per cent in 2022 to reach a peak of US$ 65 billion.

Aid for Trade financing flows proved agile, resilient and largely aligned with partner country priorities.

Between 2020 and 2022, Aid for Trade disbursements responded quickly to mitigate the effects of trade disruptions and to address emerging challenges, such as financing clean energy transitions and supporting food security. While adapting to the macroeconomic environment, Aid for Trade financing flows maintained a focus on national priorities. Among partner countries, 53 per cent considered Aid for Trade as mostly or completely aligned with national priorities, 34 per cent considered it moderately or somewhat aligned and 6 per cent not aligned. Among donors, 78 per cent considered Aid for Trade mostly or completely aligned with partner country priorities, and 12 per cent somewhat or moderately aligned.

Traditional Aid for Trade sectors such as trade facilitation, agriculture and manufacturing continue to rank high among partner country priorities, while new priorities emerge to support digitalization, services, the green transition, women and youth employment. There is scope to increase support in several areas, including tourism and trade policies and regulations, in light of members' priorities.

For example, results from the M&E exercise indicate that 82 per cent of partner countries have a sectoral objective or target related to tourism, making it the next highest priority sector after agriculture. Total disbursements for tourism were US$ 287 million in 2022, which represented only 0.5 per cent of total Aid for Trade disbursements for that year. At US$ 2.9 billion, manufacturing accounted for 6 per cent of total Aid for Trade disbursements in 2022. Since the launch of the Aid for Trade Initiative, US$ 34.3 billion have been disbursed in this sector, which represents 5 per cent of all disbursements.

Ensuring alignment between the strategies of partner countries and donors is crucial for the effective implementation and assessment of Aid for Trade financing. The 2024 M&E exercise has identified several challenges that could be addressed to enhance the scale and effectiveness of Aid for Trade projects, including: a lack of harmony between project durations and funding cycles; institutional capacity constraints; too narrow a set of financing instruments to support objectives; and discrepancies in understanding recipients' needs and coordination among stakeholders.

Aid for Trade is helping bridge the infrastructure gap, foster connectivity and support clean energy transitions.

In the aftermath of the COVID-19 pandemic, Aid for Trade disbursements to infrastructure development increased by 28 per cent, reaching US$ 27.9 billion in 2022, with a notable increase in disbursements directed towards the transportation and storage sectors. Results from the M&E exercise indicate that 74 per cent of partner countries considered infrastructure development as one of their strategic priorities.

Support to economic infrastructure is also crucial to finance sustainable transitions, for example through support for the expansion of renewable energy technologies. Aid for Trade disbursements targeting energy predominantly financed renewable energy sources in 2022. A total of US$ 4.5 billion was disbursed for renewable energy generation – a 16 per cent real term increase from 2020 levels.

Aid for Trade support to infrastructure can also go a long way to reducing carbon emissions in transportation. In 2022, rail transport received the highest share of Aid for Trade disbursements targeting transportation and storage, with a total of US$ 6.2 billion (+118 per cent from 2020 levels).

Agriculture continues to be vital for developing economies.

Approximately US$ 125 billion, or 18 per cent of all Aid for Trade financing, has been disbursed to the agriculture sector since 2006. By capitalizing on opportunities in agriculture, developing economies can move towards greater economic and export diversification through a transition to more value-added activities.

The expansion of the agriculture sector ranks high as a priority in the national development strategies of 80 per cent of partner country responses. This shift can strengthen their agricultural sectors, contributing to improved food security, expanded employment opportunities and enhanced rural development. Disbursements for agriculture, forestry and fishing proved resilient at US$ 10 billion in 2022 (+10 per cent year on year).

Digital connectivity and e-commerce emerge as a transformative force.

Developing economies are increasingly prioritizing the expansion of the digital economy in their national development strategies: 81 per cent of both partner countries and donors reported it a priority. Aid for Trade disbursements focusing on information and communications technologies have increased by 31 per cent since 2020.

Digitalization not only facilitates more efficient trade operations but also underpins a broader transformation towards a more connected, innovative and competitive global economy. With regard to improving digital connectivity and e-commerce, 46 per cent of responses from partner countries indicated that Aid for Trade was having a measurable positive impact, and 84 per cent noted that it would require continued support. However, the persistent digital divide poses a risk to growth. Without equitable technology access, participation in the burgeoning digital economy will remain limited.

Trade facilitation remains a priority to improve trade efficiency and address some of the trade-related challenges of the digital and green transition.

Aid for Trade has a tangible impact on trade efficiency and competitiveness. Of the partner countries, 91 per cent responded that Aid for Trade support was vital for trade facilitation and 85 per cent indicated that improving border clearance was a key objective in national development strategies.

Progress in implementing the WTO's Agreement on Trade Facilitation and its impacts in reducing trade costs illustrates the benefits of streamlined customs procedures and improved trade efficiency. By minimizing delays and uncertainties associated with border clearance, trade facilitation enhances the efficiency of cross-border trade transactions. However, further efforts are required to maintain momentum and to unlock the benefits from improved trade facilitation across a wide range of sectors, with a focus on the role of digitalization and green customs procedures.

As highlighted by the OECD Trade Facilitation Indicators and the OECD Digital Services Trade Restrictiveness Index, the global regulatory environment for facilitating trade in goods and digitally deliverable services remains dynamic. However, it will be important to enhance support that can help developing economies address the challenges of the digital and green transition. As trade is evolving, trade facilitation policies are not only needed to ensure that transactions are faster and easier, but that trade is also sustainable and resilient.

Inclusivity in Aid for Trade is a priority.

Both partner countries and donors place a strong emphasis on women's economic empowerment and support for MSMEs for economic growth, poverty reduction and job creation. Women's economic empowerment and gender equality was recognized as a priority by 82 per cent of partner country responses and 91 per cent of donors. Aid for Trade commitments from bilateral donors including an objective to promote gender equality grew in 2021-2022, reaching 46 per cent of total Aid for Trade commitments.

MSMEs account for 90 per cent of businesses and more than 50 per cent of employment worldwide. Of partner country responses, 79 per cent indicated that their national development strategies included targets to expand the MSME sector as a priority. Youth employment and skills were also ranked as a priority by 79 per cent of partner countries. In 2022, support for the development of small and medium-sized enterprises amounted to US$ 1.7 billion, which represents 60 per cent of total industry disbursements – a focus that aligns with the high prioritization of MSMEs for partner countries.

Aid for Trade is increasingly expected to help finance climate change mitigation and adaptation.

Developing economies and LDCs 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. Among developing economies, the response was higher in Latin America and the Caribbean and Oceania. In 2021-2022, average climate-related Aid for Trade commitments from bilateral Development Assistance Committee (DAC) members amounted to US$ 20 billion, which represented 67 per cent of bilateral Aid for Trade commitments for that period.

Against this background, there is a continuing need for Aid for Trade financing, clearly articulated by developing economies: 94 per cent of partner country respondents foresaw future needs for Aid for Trade to support the trade-related aspects of climate change. Among donor respondents, 91 per cent noted that Aid for Trade supports the trade-related aspects of climate change.

Private finance mobilized through official interventions plays a growing role in financing trade-related needs.

Aid for Trade needs are growing in a financially constrained environment. Trade-related other official flows have long played an important role in complementing Aid for Trade flows to support trade objectives in developing economies. In 2022, disbursements in trade-related other official flows increased by 25 per cent, reaching US$ 50 billion – their highest level ever achieved.

Leveraging private-sector instruments can help unlock additional resources. According to OECD data, in 2022, a total of US$ 54 billion was mobilized through official interventions in trade-related sectors, which represents 88 per cent of total resources mobilized through official interventions.

Maintaining a focus on LDCs is essential.

Africa and Asia command the largest share of Aid for Trade disbursements – jointly accounting for 70 per cent in 2022, albeit with divergent trends. Aid for Trade disbursements to Asia increased by 22 per cent to US$ 18.2 billion in 2022. It experienced a surge in disbursements for transportation and storage, which increased by 37 per cent to US$ 8.1 billion.

In 2022, the share of Aid for Trade disbursements to LDCs was 28 per cent and worth US$ 14 billion. LDCs remain a priority, with commitments to double Aid for Trade support by 2031 in line with the target found in the Doha Programme of Action for the Least Developed Countries. However, disbursements have fallen short of this objective, necessitating concerted efforts to bridge the gap and accelerate progress. Ensuring that the right instruments are available to support LDCs and other low-income countries is essential to provide adequate support.

In that regard, the shift towards loans over grants observed in recent years presents challenges. The trend was particularly marked in 2022, with loans driving growth in Aid for Trade disbursements and a widening gap in the share of loans (65 per cent) versus grants (35 per cent).

New priorities in global development cooperation call for a flexible and responsive approach to Aid for Trade.

Akin to other forms of concessional finance, Aid for Trade is increasingly called upon to address new challenges while resources are under stress. The changing dynamics of global development cooperation, particularly the shift towards financing for sustainable development and climate action, has led many respondents to call for a flexible and responsive approach to Aid for Trade.

The increasing focus on climate adaptation and environmental objectives reflects a broader shift in global priorities. Recent calls to build a more inclusive development finance system and unlock additional resources for development create a momentum to enhance the effectiveness of Aid for Trade and chart a course of action for the Initiative in the period after the 2030 Agenda for Sustainable Development.

The 2024 joint OECD–WTO Aid for Trade M&E exercise underscores the role that trade can play in fostering economic growth and sustainable development. Achieving these goals will require a coordinated effort by all developing economies and their financing partners. The Aid for Trade Initiative can help build a more equitable and resilient global trading system, one that meets the needs of all stakeholders while contributing to a sustainable future.

Introduction

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

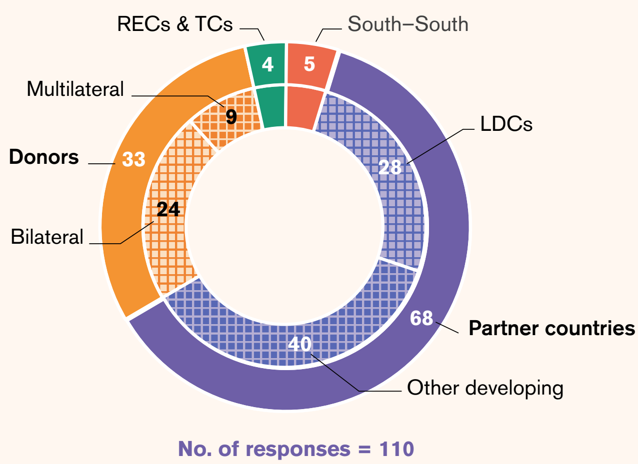
A cornerstone of the Aid for Trade Initiative is the monitoring and evaluation (M&E) exercise, organized by the WTO and the OECD, which garners information based on responses provided by donors, recipients and others in self-assessment questionnaires[1] on:

- how Aid for Trade priorities of both partner countries and donors are evolving;
- how trade is being integrated into sustainable development strategies;
- how Aid for Trade financing flows are evolving and supporting the financing priorities of partner countries;
- how trade performance results are tracked and the development indicators which are used.

The transparency created by the M&E exercise provides incentives for both donors and recipients to advance the Aid for Trade agenda. This publication draws on the responses provided by participants to the questionnaire of the 2024 joint OECD–WTO Aid for Trade M&E exercise, which underpins the 2024 Global Review of Aid for Trade on partnerships for food security, digital connectivity and mainstreaming trade.[2]

It analyses the information collected from the following participants (see Figure 1):

Figure 1 Responses to the questionnaire, by participant category (2024)



Source: WTO Secretariat.

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

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

Information on Aid for Trade financing flows is derived from the OECD Creditor Reporting System – an internationally recognized source of Official Development Assistance statistics. This publication provides Aid for Trade data up to the year 2022.

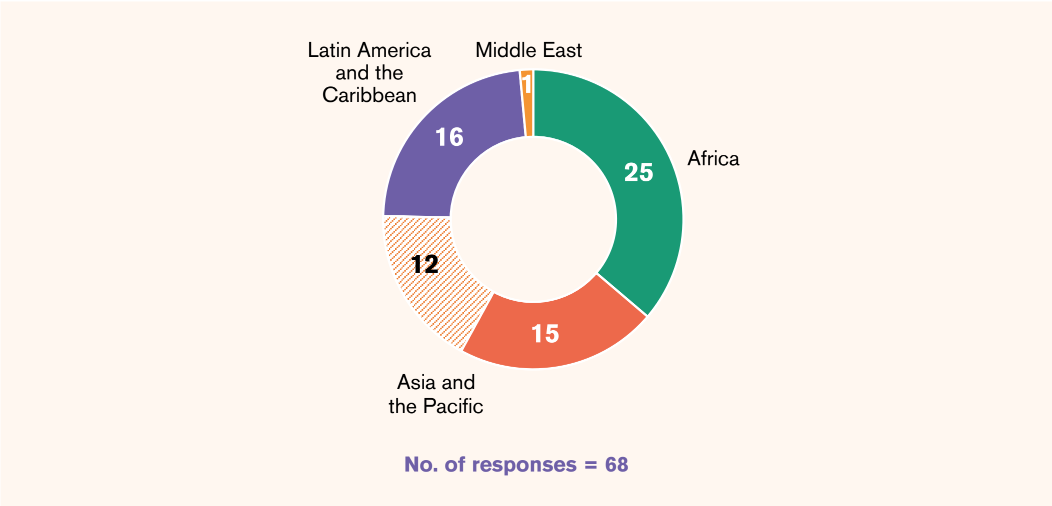
This is the ninth M&E exercise since the launch of Aid for Trade in 2006 (see Figure 3 for a breakdown of responses since 2011).

Table 1 Summary of respondents to the questionnaire

Category	Participants
Partner countries	
Africa (25)	*Angola*, Botswana, *Burkina Faso*, *Burundi*, *Comoros*, Côte d'Ivoire, *Djibouti*, Equatorial Guinea, *Ethiopia*, *The Gambia*, *Guinea*, Kenya, *Lesotho*, *Madagascar*, *Mali*, *Mauritania*, Mauritius, *Mozambique*, *Niger*, *Rwanda*, *Senegal*, Seychelles, *Tanzania*, *Zambia*, Zimbabwe
Asia and the Pacific (26)	*Bangladesh*, *Bhutan*, *Cambodia*, Cook Islands, Fiji, *Kiribati*, *Lao People's Democratic Republic*, Federated States of Micronesia, *Myanmar*, Nauru, *Nepal*, Niue, New Caledonia, Pakistan, Palau, Papa New Guinea, Philippines, Samoa, *Solomon Islands*, Sri Lanka, Thailand, *Timor-Leste*, Tonga, *Tuvalu*, Vanuatu, Viet Nam
Latin America and the Caribbean (16)	Antigua and Barbuda, Belize, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, Grenada, Guatemala, Honduras, Jamaica, Nicaragua, Paraguay, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines
Middle East (1)	Jordan
Donors	
Bilateral (24)	Australia, Austria, Canada, Czech Republic, European Union, Finland, France, Germany, Greece, Hungary, Ireland, Japan, Republic of Korea, Lithuania, Netherlands, New Zealand, Portugal, Russian Federation, Spain, Sweden, Switzerland, Chinese Taipei, United Kingdom, United States of America
Multilateral (9)	African Development Bank (AfDB), Asian Development Bank (ADB), Enhanced Integrated Framework (EIF), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), United Nations Development Programme (UNDP), United Nations Industrial Development Organization (UNIDO), United Nations Trade and Development (UNCTAD), World Bank Group
Regional economic communities and transport corridors (4)	Central Asia Regional Economic Cooperation (CAREC), Economic Community of West African States (ECOWAS), Pacific Islands Forum (PIF); TradeMark Africa
South–South partners (5)	Chile, Colombia, India, State of Kuwait, Türkiye

Note: The 28 LDCs are in italics. Colombia submitted two separate questionnaires to reflect its status as a recipient of Aid for Trade and also as a provider of South–South assistance.

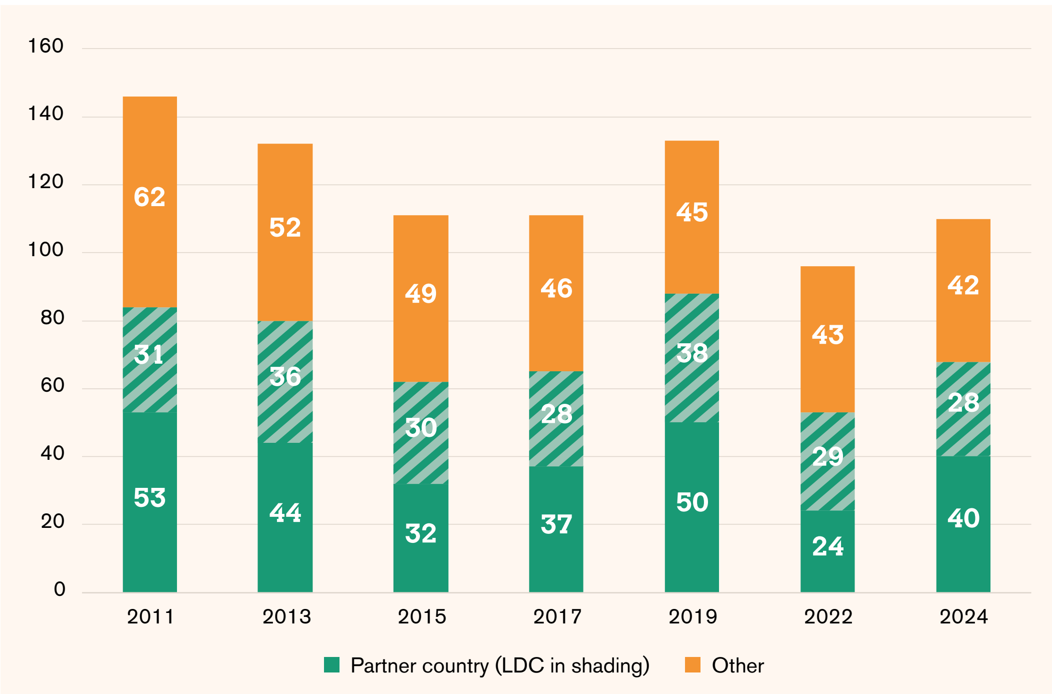
Figure 2 Partner countries responses, by region



Note: Shaded area represents responses from the Pacific region.

Source: WTO Secretariat.

Figure 3 Responses to the questionnaire, by participant categories (2011-2024)



Note: Out of the 68 partner country respondents for 2024, 15 (22 per cent) are landlocked developing economies and 10 (15 per cent) are small island developing states.

Source: WTO Secretariat.

Skilled artisans weave nón la hats in Viet Nam.

Structure

This publication comprises three chapters:

- Aid for Trade priorities. Written by the WTO, this chapter explores the shifting landscape of Aid for Trade and how developing economies, along with their financing partners, are adjusting to an increasingly complex set of global challenges. It also examines how mainstreaming trade into development policy documents and strategies can help drive progress toward achieving the United Nations Sustainable Development Goals.
- Financing Aid for Trade priorities. Written by the OECD, this chapter examines the allocation of Aid for Trade commitments and disbursements across different regions, income groups, economic sectors and specific Aid for Trade categories. It also assesses the various modalities of support, including the terms and conditions under which this assistance is provided.
- Impact and effectiveness of Aid for Trade. Written by the WTO and the OECD, this chapter assesses the extent to which Aid for Trade aligns with developing economies' priorities and strategies, as well as responses from their financing partners. It also studies the effectiveness of Aid for Trade implementation and its broader impacts on development outcomes.

ENDNOTES

1 The self-assessment questionnaire for the 2024 joint OECD–WTO M&E exercise is available in *Aid-for-Trade Monitoring Exercise "Mainstreaming Trade: Self-assessment Questionnaires"*, WTO document WT/COMTD/AFT/W/97, 12 October 2023. The questionnaires submitted as part of the 2024 M&E exercise, along with those from previous years, can be found at https://www.oecd.org/aidfortrade under "Country Profiles". A full compilation of responses received for the 2024 M&E exercise will be presented in *Aid-for-Trade Global Review 26-28 June 2024 Mainstreaming Trade*, WTO document WT/COMTD/AFT/W/100. Information provided by respondents not in the questionnaire format is also included in the analysis.

2 *2023-2024 Aid-for-Trade Work Programme: Partnerships for Food Security, Digital Connectivity and Mainstreaming Trade*, WTO document WT/COMTD/AFT/W/95, 10 February 2023.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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	Expansion of tourism	Expansion of agriculture
82%	82%	80%

Priority areas based on the survey responses from:

Partner countries

Donors

Priority area	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?

Partner countries	Donors
96% Yes	91% Yes

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%

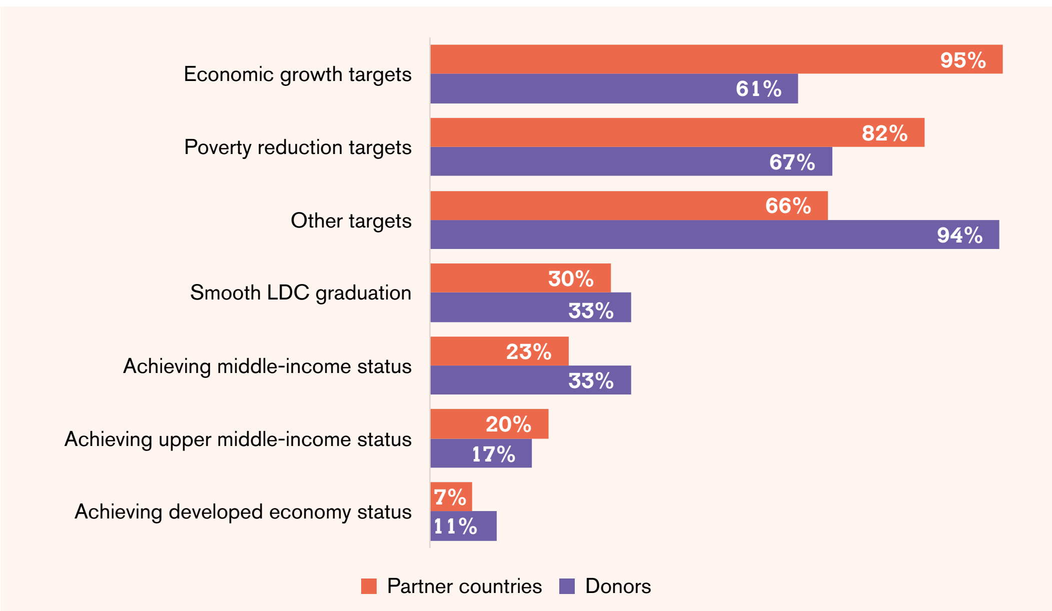
of LDC responses

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 Principe, 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).

Case study

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

<table>
<tr><th colspan="2">Donors</th></tr>
<tr><th colspan="2">Intergovernmental organizations</th></tr>
<tr><td>United Nations Development Programme (UNDP)</td><td>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</td></tr>
<tr><td>World Bank</td><td>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</td></tr>
<tr><th colspan="2">South–South partners</th></tr>
<tr><td>State of Kuwait</td><td>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</td></tr>
</table>

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.

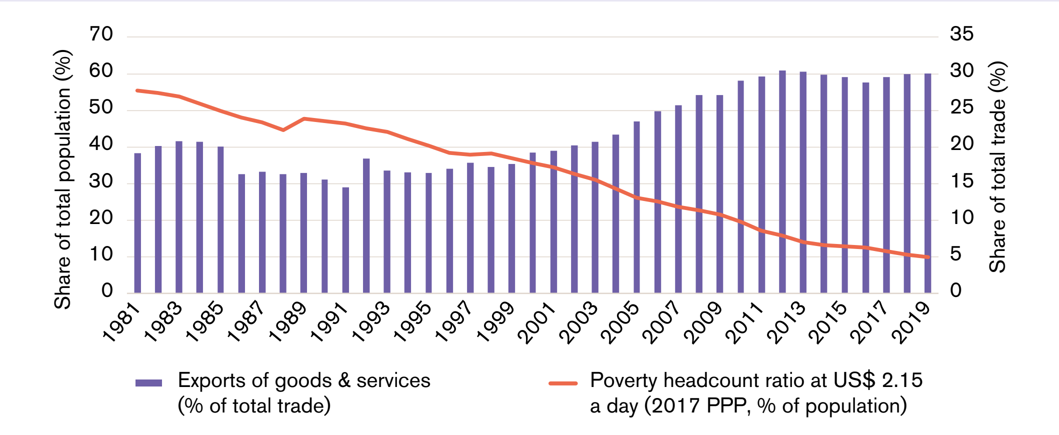
Trade can play a key role in empowering women and assisting them in dealing with poverty. Across developing economies, exporting firms generally employ a higher share of women than non-exporters. This has, in turn, an impact on other household decisions, such as education.

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 at 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.gcpnd.gouv.ci/uploads/doc/TOME%201.pdf.

Trade, economic diversification and structural transformation

Economic diversification a priority

79%

of partner country responses

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

<table>
<tr><th>Partner countries</th><th>Responses in questionnaire</th></tr>
<tr><td>Rwanda</td><td>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</td></tr>
<tr><td>Senegal</td><td>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</td></tr>
<tr><td colspan="2">Latin America and the Caribbean</td></tr>
<tr><td>Ecuador</td><td>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</td></tr>
<tr><td>Nicaragua</td><td>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</td></tr>
</table>

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.

Expert opinion

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.

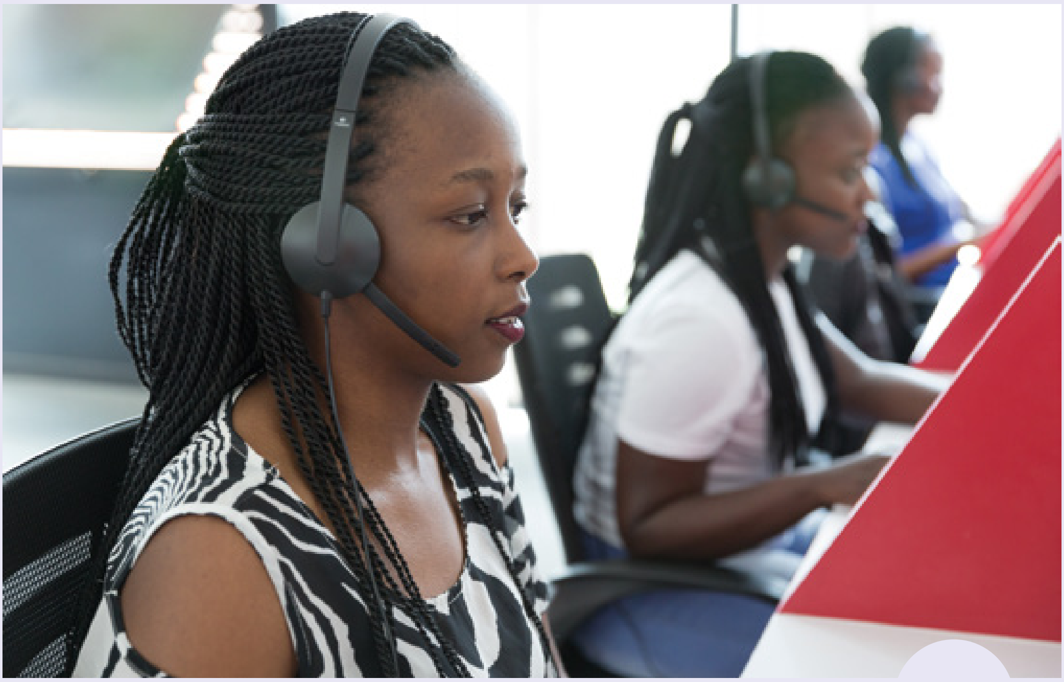
Box 5 Trade in services for development: An Aid for Trade roadmap for services

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

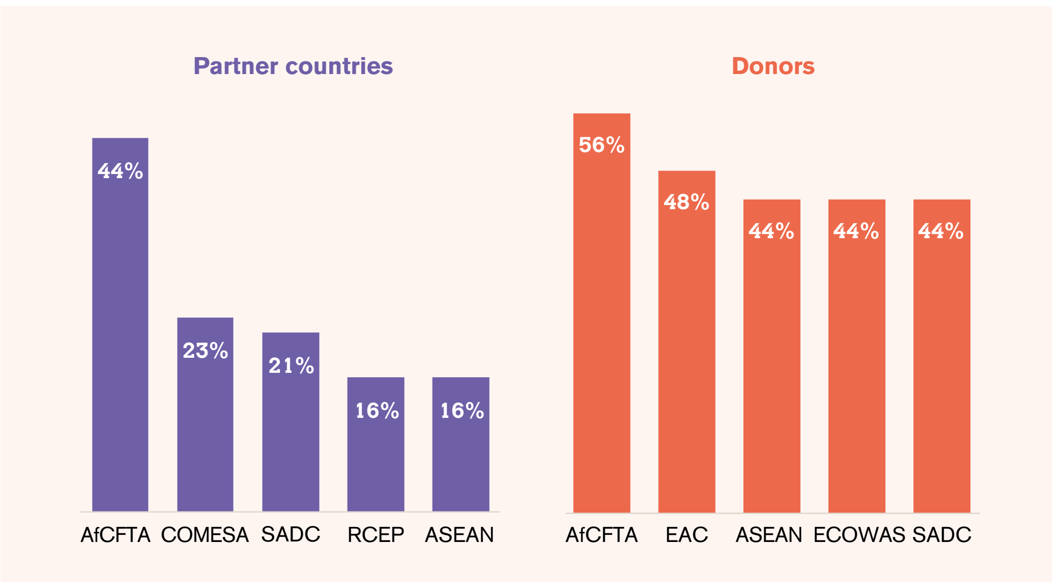
82%

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 of 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.

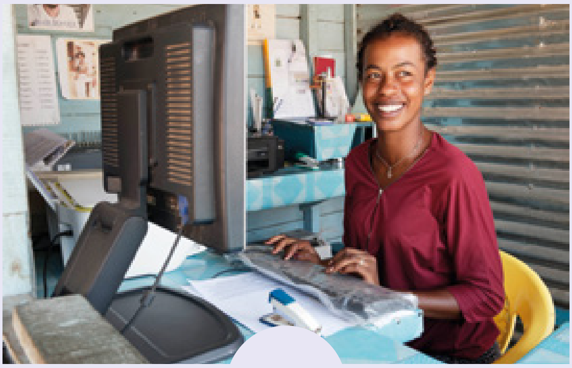
Responses by Aid for Trade stakeholders, however, indicate that the digital divide, both with respect to hard and soft infrastructure, remains a limiting factor. Box 6 highlights a joint World Bank and WTO project to support digital trade for Africa.

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.



Digital trade opportunities in Toliara, Madagascar.

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.

* 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.

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

Source: ITC.

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.

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

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.

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.

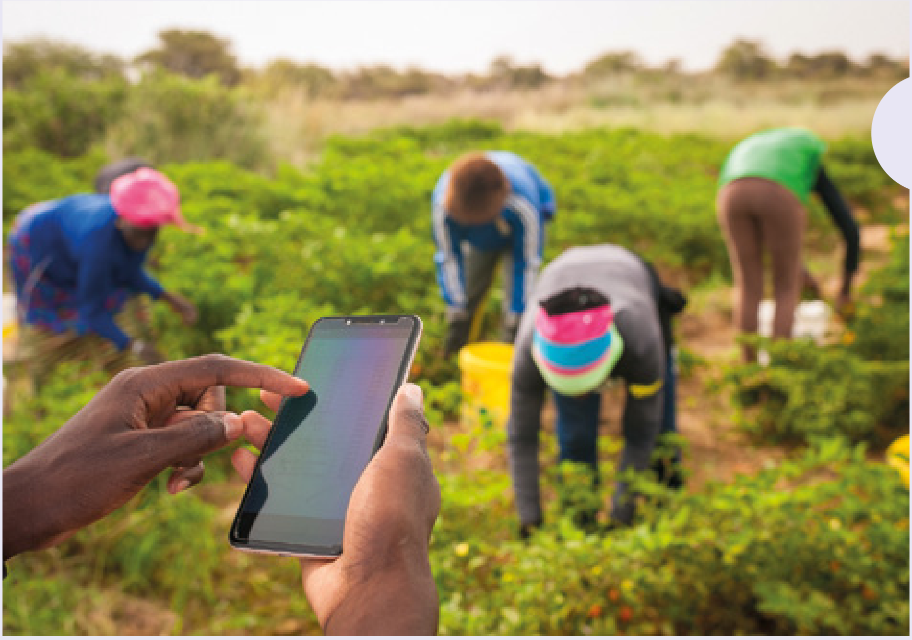
The strategy outlines four strategic goals:

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

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

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.

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 Principe 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.

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

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.

* 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.

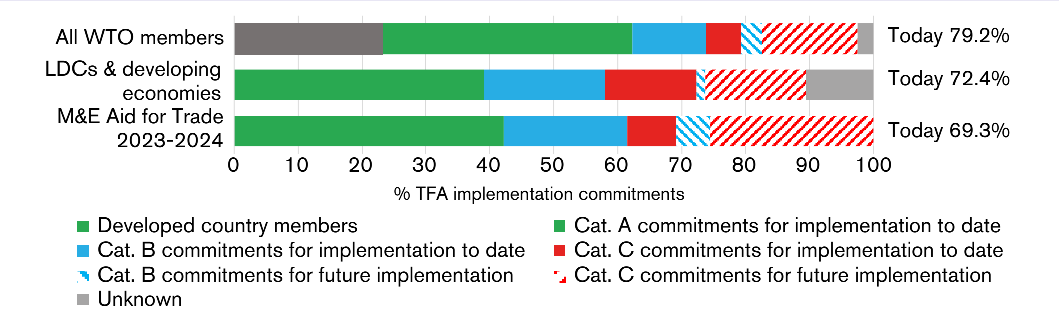
Box 13 Implementation of Trade Facilitation Agreement commitments

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.

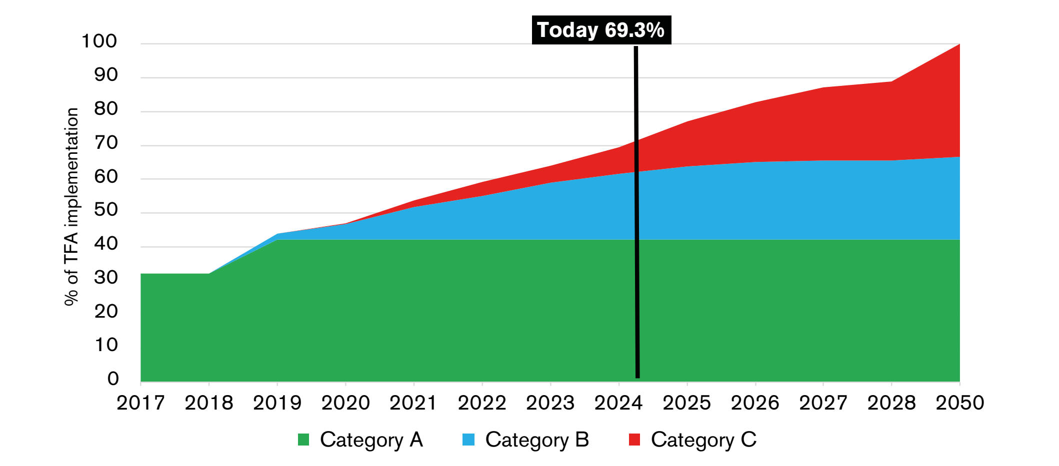
To benefit from SDT, a member must categorize (A, B or C) each provision of the Agreement and notify other WTO members of these categorizations in accordance with specific timelines outlined in the Agreement.

- 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.

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.

Source: Joint OECD-WTO M&E exercise.

A watermelon farm in Mawathawewa, Sri Lanka.

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

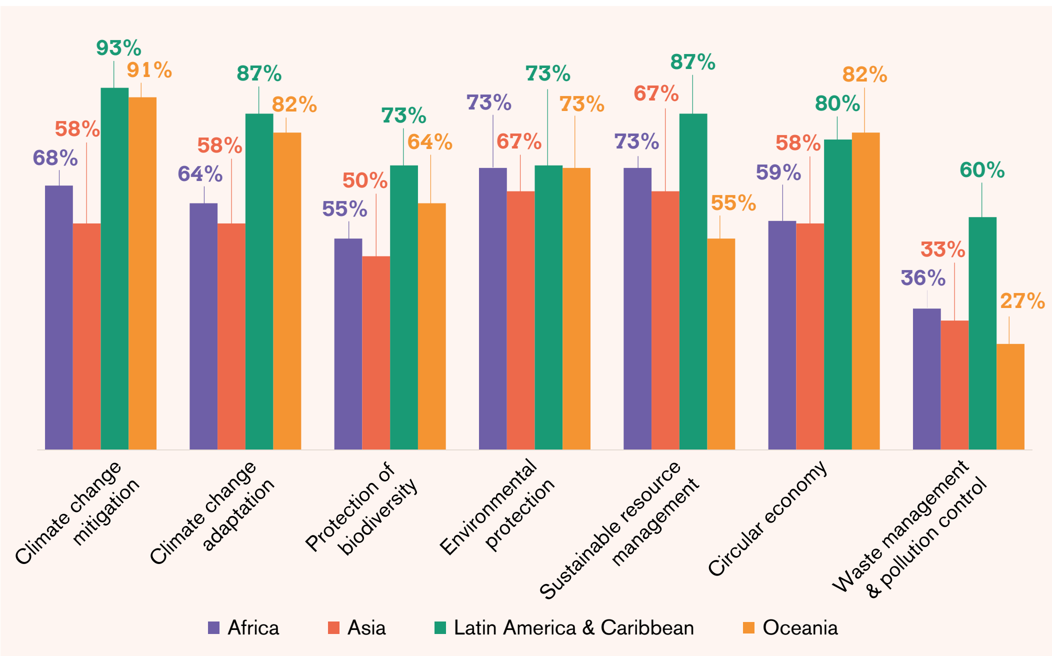
Responses to the M&E exercise also highlighted examples of trade emerging as a theme in climate-related strategies implemented by developing economies and LDCs, and Table 7 highlights climate priorities identified by partner countries and donors.

Climate change mitigation a priority

77%
of partner country responses

94%
of donor responses

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 Canda'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

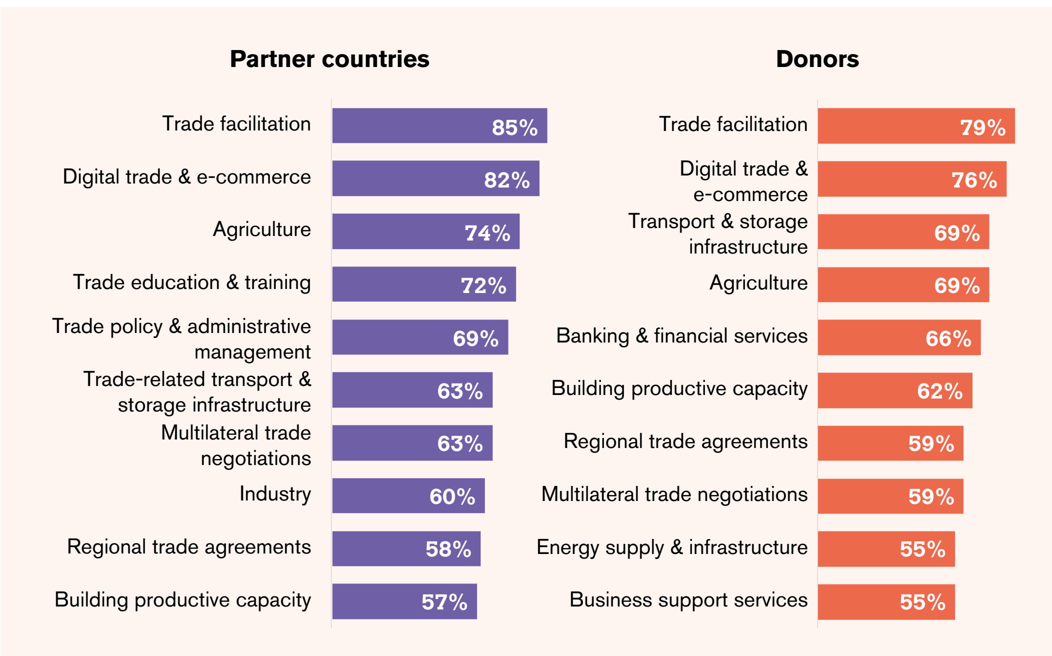
91%
of donor responses

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.

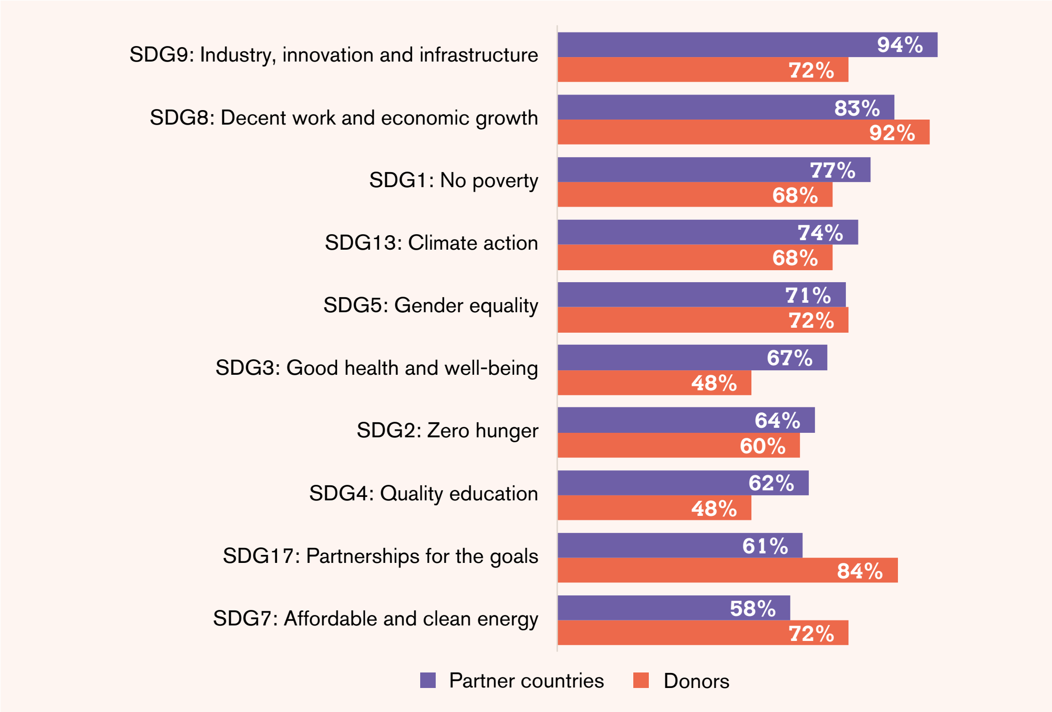
Table 8 Aid for Trade priorities: Future financing objectives

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/smefinance#:~:text=SMEs%20account%20for%20the%20majority,than%2050%25%20of%20employment%20worldwide.


SIEMENS

2

Financing Aid for Trade priorities

Engineers at the Lake Turkana Wind Power Plant, Kenya.

FINANCING AID FOR TRADE PRIORITIES

Record highs in 2022

Disbursements

US$ 51.1 bn
+14%

Commitments

US$ 65.0 bn
+31%

US$ 648 billion
disbursed since Aid for Trade launched in 2006

Aid for Trade disbursements since 2006

Bilateral donors
US$ 369 bn

Multilateral donors
US$ 263 bn

Increase in disbursements in 2022

- Japan +52% ↗
- Germany +21% ↗
- World Bank +14% ↗

Share of disbursements, 2021-2022

Asia	37%
Africa	34%
Europe	9%
Latin America & Carib.	8%
Oceania	1%

Aid for Trade flows, 2006-2022

Least-developed countries	US$ 189 bn
Landlocked developing economies	US$ 114 bn
Small, vulnerable economies	US$ 35 bn

Aid for Trade disbursements by category
(year-on-year increase in 2022)

- +66% Tourism
- +34% Transport and storage
- +31% Information and communications technologies
- +23% Energy generation and supply
- +10% Agriculture

Aid for Trade in a changing development cooperation landscape

The 2024 joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise takes place in a changing development cooperation landscape. The lingering impact of the COVID-19 pandemic, compounded by turbulent geopolitics, have heightened economic uncertainty, increased countries' indebtedness and constrained already shrinking fiscal spaces. In addition, new demands have emerged to finance the United Nations Sustainable Development Goals (SDGs) and global challenges, including for climate adaptation and mitigation, biodiversity protection and health security, putting Official Development Assistance (ODA) resources under stress. These evolutions have raised new questions for donors and partner countries, including finding creative ways to unlock additional resources for development, balancing financing priorities and making efficient use of concessional resources for maximal impact.

Amidst growing pressures placed on ODA, various calls for a reform of the global financing for development architecture have been issued. These initiatives, including the Bridgetown Initiative, the Paris Pact for People and the Planet, and the UN SDG Stimulus Plan, share common objectives to scale up the financial capacity of the multilateral system and to increase resources in a way that narrows the SDG financing gap in developing economies. They also aim to promote greater equity in terms of developing economies' voice and access to financing in the international financial architecture. In 2025, the Fourth International Conference on Financing for Development will provide an opportunity to reflect on these initiatives, rethink the 2015 Addis Ababa Action Agenda (AAAA) and chart a course of action for the global financing for sustainable development architecture post-Agenda 2030.

Aid for Trade is a test case for these evolutions. International trade is an important component of the AAAA, which includes commitments relating to Aid for Trade (United Nations, 2015b). The so-called "Bridgetown Initiative 2.0", a revision of the above-mentioned call to transform the global financial system, includes an action area to "Create an international trade system that supports global green and just transformations."[1].

Results from the M&E exercise further emphasize how intertwined trade and development agendas have become. A total of 94 per cent of partner countries and 78 per cent of donors that participated in the M&E exercise indicated that their development strategy includes trade priorities. In addition, areas flagged as strategic priorities that are not primarily trade-related often have strong links with trade (e.g. food security, employment creation, women's economic empowerment, climate change mitigation). Consequently, and akin to other forms of concessional finance, Aid for Trade is confronted with new demands in a constrained environment, raising questions related to financing priorities and potential how to unlock more resources through innovation and partnerships.

The M&E exercise provides unique insights to inform reflections related to Aid for Trade in an evolving landscape. Responses to the self-assessment surveys obtained from a total of 110 donors, partner countries, regional economic corridors and South–South partners provide first-hand information on the needs and priorities of Aid for Trade actors. The statistical update on Aid for Trade flows complements this information by analysing the evolution of Aid for Trade finance, whether it aligns with national priorities, and where to focus efforts for greater effectiveness and impact. In an increasingly complex environment, effectiveness principles continue to provide a relevant compass to improve ODA quality and impact (see Box 1).

Respondents perceived Aid for Trade support as generally aligned with their priorities (see Figure 1). Among partner countries, 53 per cent considered Aid for Trade as mostly or completely aligned with Aid for Trade priorities, 21 per cent found it moderately aligned, 13 per cent somewhat aligned and 6 per cent

Box 1 Principles of effective development cooperation and the Global Partnership for Effective Development Co-operation

Agreed in 2011 by more than 161 countries and 56 organizations and reconfirmed at the 2022 Effective Development Co-operation Summit, the four Effectiveness Principles provide a framework for more equal and empowered partnerships and more sustainable development outcomes:

(1) Country ownership: Countries set their own national development priorities, and development partners align their support accordingly while using country systems.
(2) Focus on results: Development cooperation seeks to achieve measurable results by using country-led results frameworks and monitoring and evaluation systems.
(3) Inclusive partnerships: Development partnerships are inclusive, recognizing the different and complementary roles of all actors.
(4) Transparency and mutual accountability: Countries and their development partners are accountable to each other and to their respective constituents. They are jointly responsible for ensuring development cooperation information is publicly available.

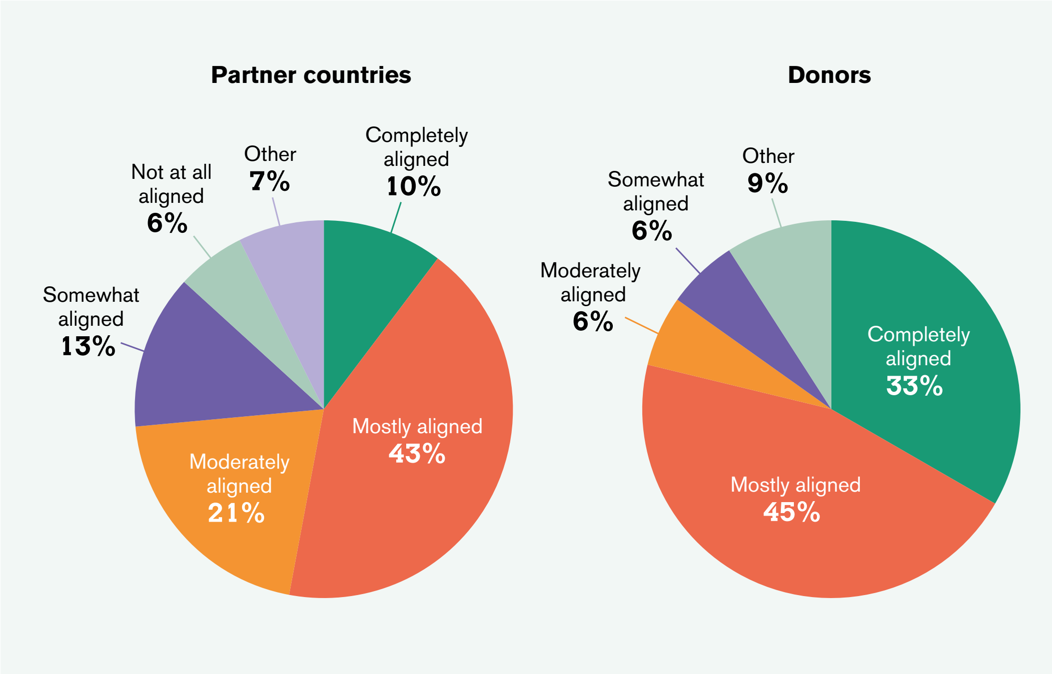
The Global Partnership for Effective Development Co-operation (GPEDC) supports the implementation of the effective development cooperation commitments at the country and global levels, including through its flagship monitoring exercise. The ongoing 4th GPEDC monitoring round 2023-2026 promotes collective accountability through the lens of the four Effectiveness Principles by measuring progress around four thematic areas: whole-of-society approach; state and use of country systems; transparency; and leaving no one behind.*

In addition, the monitoring framework now integrates an assessment of the Kampala Principles on Private Sector Engagement in Development Co-operation, collecting information on the state of policies on Private Sector Engagement (PSE) in development co-operation, inclusive dialogue on PSE at the country level, quality of PSE in development co-operation and ease of partnering.

See https://www.effectivecooperation.org/4thMonitoringRound.

A coffee farmer in Colombia inspects his crop.

Figure 1 Does Aid for Trade support align with your priorities?
(As a share of responses from partner countries and donors)



Source: Joint OECD–WTO M&E exercise.

believed that it was not aligned at all. Among donors, 33 per cent considered that the support they provided was completely aligned with recipient priorities, 45 per cent considered that it was mostly aligned, and 12 per cent believed it moderately or somewhat aligned. These results indicate that while there is general alignment, opportunities exist to further enhance ownership of development priorities by partner countries and target Aid for Trade support.

Against this background, this chapter provides an overview of the evolution of Aid for Trade flows and puts it into perspective based on results from the M&E self-assessment questionnaires. It provides contextual background and highlights trends in the evolution of Aid for Trade commitments and disbursements from the creation of the initiative until 2022, which is the most recent year for which data are available.

The analysis of flows focuses in more depth on the period 2020-2022, which was not covered by the previous M&E cycle. It highlights key drivers in the evolution of flows by category, region, instrument and policy area. Information is also provided on other forms of trade-related support, including trade-related other official flows, private finance mobilized and South–South and Triangular cooperation.

Throughout the chapter, Aid for Trade statistics are derived from the OECD Creditor Reporting System (CRS), which provides an internationally recognized source of ODA statistics. The scope and measurement of Aid for Trade flows are based on the global monitoring definition outlined in the *Recommendations of the Task Force on Aid for Trade*,[2] which situates Aid for Trade as a form of development assistance and defines Aid for Trade categories (see Box 2).

Box 2 Measuring Aid for Trade

In 2006, the Aid for Trade Task Force defined the scope of Aid for Trade, situating Aid for Trade as a form of concessional development finance that falls within the category of Official Development Assistance (ODA). To clearly delineate Aid for Trade from other forms of ODA, the 2006 Aid for Trade Task Force agreed a "monitoring definition" that comprises six Aid for Trade categories:

(i) trade policy and regulations;
(ii) trade development;
(iii) trade-related infrastructure;
(iv) building productive capacity;
(v) trade-related adjustment;
(vi) other trade-related needs.*

The monitoring of Aid for Trade flows relies on trade data extracted from the Creditor Reporting System (CRS) aid activity database – an internationally recognized source of authoritative data on ODA and other official flows to developing economies, dating back to 1967 – which provides data broken down geographically and by sector. The CRS does not provide data that exactly match all of the above Aid for Trade categories. Instead, it provides proxies under the following four headings:

(i) technical assistance for trade policy and regulations;
(ii) economic infrastructure;
(iii) productive capacity building;
(iv) trade-related adjustment.

Across these categories, Aid for Trade disbursements and commitments are reported in gross terms on a cash-flow basis. This means that the amounts presented reflect flows of cash granted or the face value of loans lent by official providers to ODA-eligible countries. This presentation aligns with the methodology developed by the Inter-Agency and Expert Group on SDG Indicators and agreed upon at the 48th session of the United Nations Statistical Commission, held in March 2017, for the measurement of SDG Target 8.a: "Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries" (ECOSOC, 2017).

Since 2014, the process of modernization of the ODA statistical system, undertaken by the OECD Development Assistance Committee, has enabled innovations on ODA measurement, particularly with regard to measuring the concessionality of sovereign loans, and accounting for private sector instruments. This modernization process has led to the introduction of the "grant equivalent" system, which aims to better compare loans and grants, and incentivize concessionality. The grant equivalent provides an estimate, at today's value of money, of how much is being given away over the life of a financial transaction, compared with a transaction at market terms. Furthermore, the development of the complementary statistical framework of Total Official Support for Sustainable Development opens new possibilities to shine a light on trade-related official support.

These innovations are used throughout the 2024 monitoring and evaluation exercise to provide additional perspective on the standard Aid for Trade reporting. For ODA data disaggregated at the sectoral level, including Aid for Trade, presentation of cash-flows remains the most appropriate format, reflecting actual volumes of resources mobilized for trade support. In addition, in an effort to analyse Aid for Trade priorities and trends, gross disbursements and commitments on a cash-flow basis provide the most accurate indication of where volumes of financing have focused and evolved. This standard also ensures comparability over time and across international reporting mechanisms. As ODA statistics and standard evolve, the development of new metrics can support continual improvements on the measurement and analysis of ODA flows.

* See *Recommendations of the Task Force on Aid for Trade*, WTO document WT/AFT/1, 27 July 2006.

Aid for Trade flows rebounded in 2022

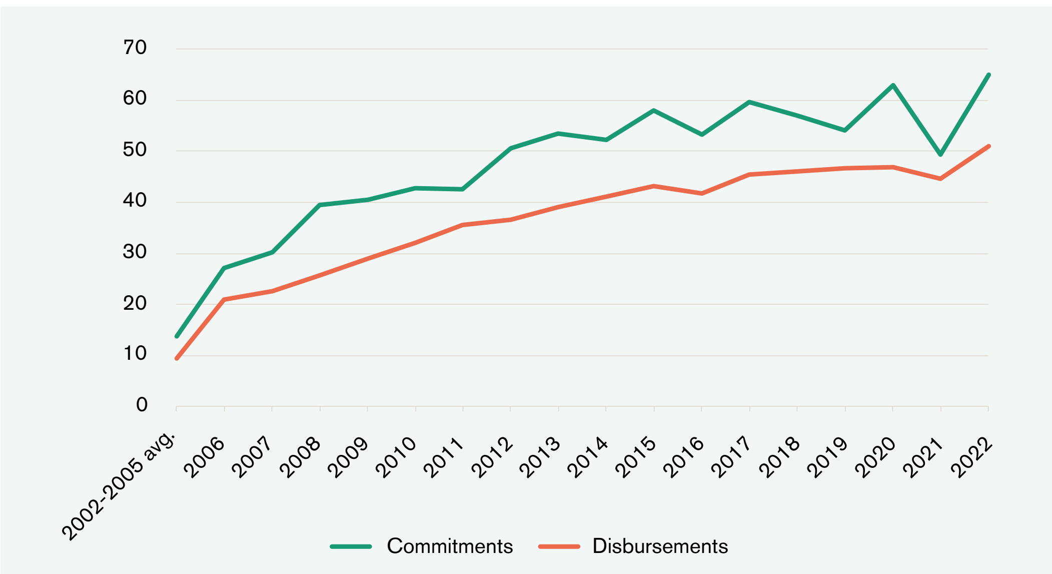
Aid for Trade flows have reached an all-time high

International commitments toward Aid for Trade have been renewed in recent years. The G20 New Delhi Leaders' Declaration adopted in September 2023 recognizes the importance of the Aid for Trade Initiative to enable developing economies,, notably least-developed countries (LDCs), to "effectively participate in global trade, including through enhanced local value creation" and welcomes "all efforts to mobilize necessary resources in this regard."[3]

The 13th WTO Ministerial Conference, held in Abu Dhabi in 2024, emphasized the links between trade and development and recognized "the importance of the Aid for Trade Initiative for developing Members, including LDCs, for trade-related capacity building, and for contributing to their integration into the multilateral trading system."[4] These renewed high-level commitments align with the results from the M&E exercise, which underscore broad consensus on the continued need for Aid for Trade financing. Over 95 per cent of partner countries that responded to the self-assessment questionnaire foresaw a continued need in that regard. Similarly, 91 per cent of donors surveyed foresaw a need to continue providing Aid for Trade financing.

In line with the continued prioritization of Aid for Trade, disbursements reached an all-time high in 2022, with a total amount of US$ 51.1 billion (see Figure 2). This represents a 14 per cent increase in real terms compared to 2021. Commitments followed a similar trend, with a 31 per cent increase between 2021 and 2022 to reach a peak of US$ 65 billion. This positive trend marks a rebound from 2021, which had seen a decline in Aid for Trade flows amidst the COVID-19 pandemic (see Box 3). In 2022, both Aid for Trade commitments and disbursements exceeded pre-pandemic levels.

Figure 2 Evolution of Aid for Trade disbursements and commitments, 2002-2022
(In US$ billion, constant 2022 US$)



Source: OECD Creditor Reporting System.

Box 3 Aid for Trade and the COVID-19 pandemic

The 2022 edition of *Aid for Trade at a Glance* (OECD/WTO, 2022) emphasized the role and potential of Aid for Trade in mitigating the impacts of the COVID-19 pandemic and building supply chain resilience. Results from the 2022 M&E exercise indicated that Aid for Trade remained a priority in the aftermath of the pandemic outbreak and was generally considered by partners and donors to be more important, or at least as important, than before the pandemic.

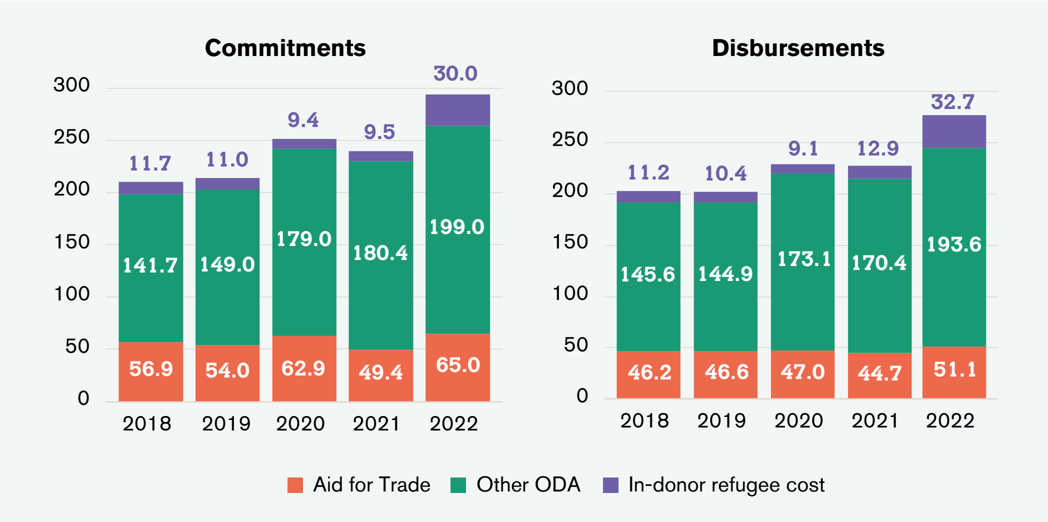
The analysis of Aid for Trade flows up to 2020 pointed to the role of Aid for Trade in supporting sectors that proved essential in the fight against the COVID-19 pandemic, such as pharmaceutical production. COVID-19-related activities drove growth in sectors such as banking and financial services, which were often supported as mainstays of economic resilience and stability. Other sectors such as transport experienced a slowdown in Aid for Trade, as a result of a prioritization of resources, but also potentially practical challenges that may have resulted from travel restrictions and other health-related measures for projects requiring an in-person presence (OECD/WTO, 2022).

The 2024 M&E exercise provides further insights into the evolution of Aid for Trade flows and Official Development Assistance (ODA) in 2021 and 2022, when the pandemic was still raging across the world. In 2021, ODA commitments reached new heights, largely driven by vaccine donations and support for the emergency response, which do not fall under the scope of Aid for Trade. Other sectors, including those aimed at building economic infrastructure and productive capacities, saw a decline in 2021. Furthermore, projects that required physical presence such as infrastructure projects often faced implementation delays, reflected in slowdowns in disbursements. The trend was, however, largely reversed in 2022, as sectors that experienced a decrease in 2021 in Aid for Trade often saw the level of flows increasing again to exceed pre-pandemic levels in 2022.

These evolutions tend to show the ability of ODA to remain agile and quickly ramp up support to address global priorities. They also illustrate some of the key challenges that development partners are facing when making financial allocation decisions, including finding a balance between short-term needs, for example for emergency assistance, and longer-term priorities that are often essential to prevent future crises and deliver on policy priorities set out in national and international agendas.

A health worker at the Mpilo Central Hospital COVID-19 testing laboratory, Bulawayo, Zimbabwe.

Figure 3 Evolution of Aid for Trade and total Official Development Assistance (ODA) flows, 2018-2022
(In US$ billion)



Note: Gross commitments and disbursements on a cash-flow basis.
Source: OECD Creditor Reporting System.

Aid for Trade growth concurs with a broader rise in ODA in 2021 and 2022, and reaffirms Aid for Trade as a financing priority. Foreign aid reached a historical peak in 2022, notably as providers increased their spending on processing and hosting refugees (see Figure 3).[5] In this context, Aid for Trade accounted for 22 per cent of total ODA commitments and 18 per cent of total ODA disbursements in 2022. Excluding ODA spending on "in-donor" refugee costs, the share of Aid for Trade in total ODA rises to 25 per cent for commitments and 21 per cent for disbursements.

A total of US$ 648 billion has been disbursed for Aid for Trade programmes and projects since the Aid for Trade Initiative was launched in 2006. Aid for Trade providers include over 90 bilateral and multilateral donors that report to the OECD CRS. OECD Development Assistance Committee (DAC) bilateral donors have provided 57 per cent of total Aid for Trade disbursements since 2006, equivalent to US$ 369 billion. In 2022, OECD DAC bilateral donors accounted for 58 per cent of Aid for Trade disbursements.

With a total of US$ 263 billion disbursed since 2006, multilateral donors (whose main shareholders are official bilateral donors) account for 40 per cent of total Aid for Trade disbursements since the start of the initiative.

The largest Aid for Trade providers have been relatively stable in recent years. In 2022, the top ten Aid for Trade donors accounted for 83 per cent of total Aid for Trade disbursements. Recent years have seen a notable increase in disbursements from Japan (+52 per cent between 2021 and 2022), Germany (+21 per cent) and the World Bank (+14 per cent) (see Table 1).

In addition, a total of US$ 575 billion has been disbursed in low-concessional loans for trade-related projects and programmes. Multilateral donors account for 70 per cent of this amount. In 2022, trade-related other official flows reached their highest level ever recorded, both in disbursements (US$ 48.5 billion) and commitments (US$ 83.8 billion).

Table 1 **Top 10 Aid for Trade donors, 2020-2022**
(In US$ million)

	2022		2021		2020	
	Rank	Disbursements	Rank	Disbursements	Rank	Disbursements
Japan	1	11,089	1	7,308	3	6,919
World Bank	2	7,886	2	6,924	1	7,657
EU Institutions	3	6,846	3	6,708	2	7,095
Germany	4	6,603	4	5,467	4	5,742
France	5	3,579	5	3,408	5	3,283
United States	6	1,793	6	2,405	6	2,284
Asian Development Bank	7	1,756	8	1,266	7	2,107
United Kingdom	8	1,092	7	1,747	8	2,093
Central American Bank for Economic Integration	9	923	26	150	24	284
Norway	10	881	14	567	11	674

Source: OECD Creditor Reporting System.

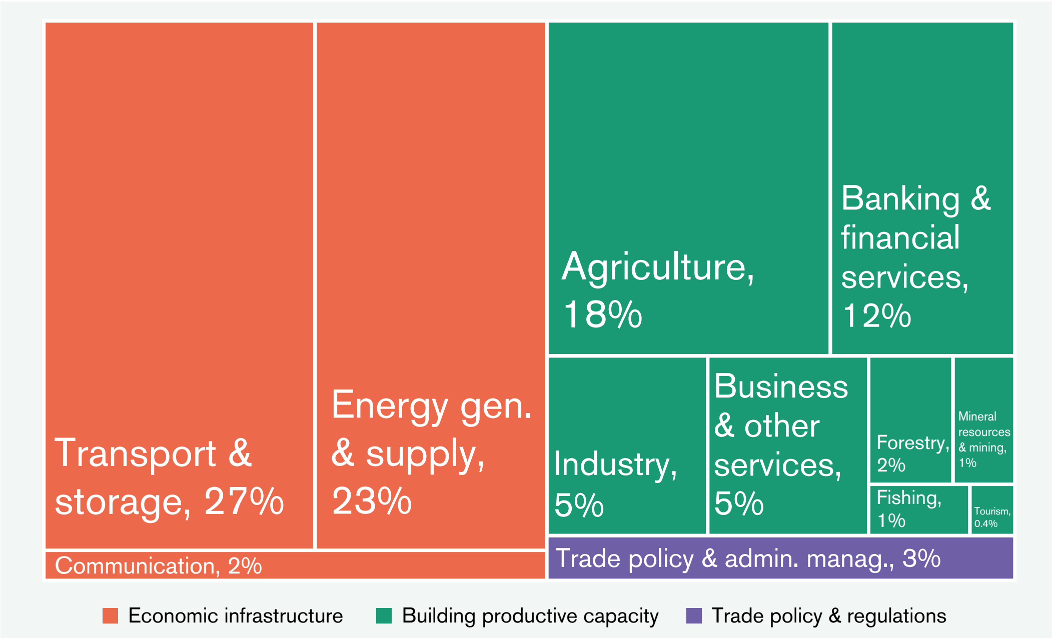
An increase driven by a rise in economic infrastructure projects

Aid for Trade growth over the period 2020-2022 has been largely driven by an increase in support to economic infrastructure projects and programmes. Between 2020 and 2022, Aid for Trade support to infrastructure projects increased by 28 per cent, reaching US$ 27.9 billion in 2022. Within this category, transport and storage attracted the majority of these funds, followed by energy generation and supply, and communication. By contrast, support intended to build productive capacity in partner countries increased in 2022 but remained below 2020 levels, with a total of US$ 22.3 billion in disbursements. Projects aimed at developing productive capacity mainly focused on the agriculture, banking and finance and industry sectors (see Figures 4 and 5).

As a result of these trends, the share of infrastructure-related disbursements in total Aid for Trade flows increased from 46 per cent in 2020 to over 54 per cent in 2022, at par with pre-pandemic levels (see Figure 5). These evolutions point to a likely correction phenomenon in the aftermath of the COVID-19 pandemic, during which infrastructure projects were significantly constrained while support to building productive capacities peaked in the early stages of the pandemic to mitigate its impacts (see Box 3). In 2022, a surge in support to Ukraine contributed to the increase observed in the economic infrastructure category. Support to Ukraine increased from US$ 345 million to US$ 2.2 billion between 2021 and 2022; and 60 per cent of these disbursements were in infrastructure projects.

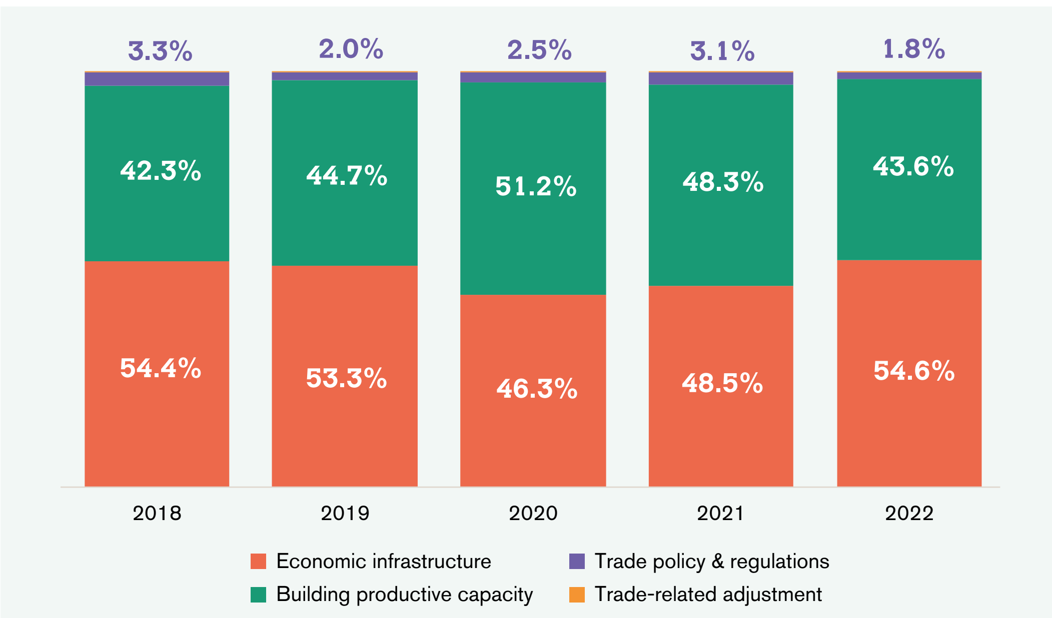
Variations in 2021 and 2022 should also be analysed against the distinguishing features of economic infrastructure and building capacity projects (see Figure 6). On average, since 2006, disbursements in the economic infrastructure category have

Figure 4 **Share of disbursements by subcategory**
(As a share of average disbursements for 2021 and 2022)



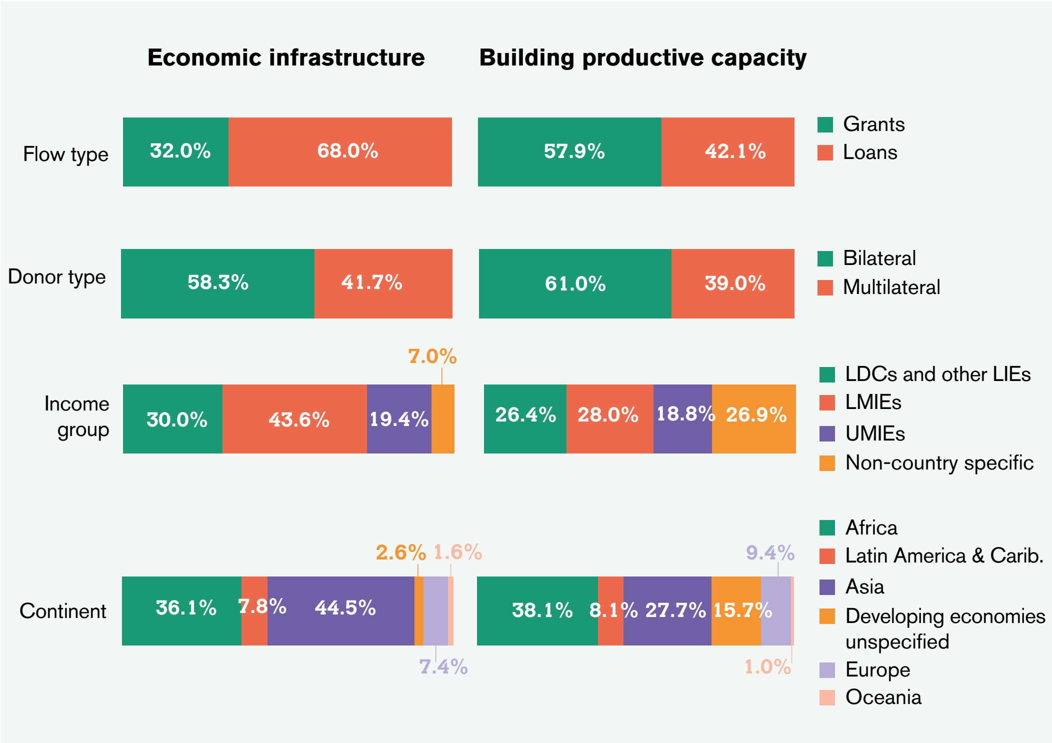
Source: OECD Creditor Reporting System.

Figure 5 **Share of disbursements by category, 2018-2022**
(As a share of total disbursements)



Source: OECD Creditor Reporting System.

Figure 6 Characteristics of economic infrastructure versus building productive capacity disbursements, 2022



Source: OECD Creditor Reporting System.

been approximately four times higher than in any other category. This is explained by the high costs of infrastructure projects, and the prevalence of concessional loans over grants supporting the financing of transport, energy and communication infrastructure projects. Furthermore, Aid for Trade disbursements for economic infrastructure are highly concentrated, with a few donors and recipients accounting for a large part of these flows. As a result, a limited number of projects may have a significant influence on the share of economic infrastructure in total Aid for Trade flows.

Aid for Trade support to economic infrastructure can play an important role in support of developing economy priorities. Results from the M&E exercise indicate that 74 per cent of developing economies that responded to the self-assessment questionnaires considered infrastructure development as one of their strategic priorities. The impact of infrastructure-related support has been shown to have positive effects on economic growth and poverty reduction, which have emerged as key national development priorities through the M&E exercise (see Box 4).

Support to economic infrastructure is also crucial to finance sustainable transitions, for example through support for the expansion of renewable energy technologies. Aid for Trade disbursements targeting energy generation and supply predominantly financed renewable energy sources in 2022. A total of US$ 4.5 billion was disbursed for renewable energy generation – a 16 per cent increase in real term from 2020 levels.

Box 4 Aid for Trade and economic infrastructure

A large body of literature underlines the positive effects of economic infrastructure on international trade and economic growth. A 2010 empirical study finds that a 10 per cent increase in aid to infrastructure commitments per capita led to an average increase of the exports over GDP ratio for a developing economy of 2.34 per cent (Vijil and Wagner, 2010).

Using trade flows data for 243 countries, 170 industries and spanning 17 years, Han and Li (2022) find that transportation infrastructure enhances international trade more than internal trade, and that a 10 per cent increase in transportation infrastructure induces a 3.9 per cent increase in real income, where 95 per cent of the gains concentrate on the infrastructure improving country. A number of other recent academic studies* further demonstrate the positive relationship between economic infrastructure, trade and sustainable development.

Results from the M&E exercise indicate, however, that only 27 per cent of developing economies which participated in the exercise identified Aid for Trade in trade-related infrastructure as having a measurable impact. While donors have a more positive opinion, only 45 per cent of donor respondents consider that Aid for Trade is having a measurable impact in this category. Understanding and addressing this gap, for example by clarifying objectives and expectations for Aid for Trade in trade-related infrastructure and communicating results, could be of importance going forward to ensure adequate targeting of Aid for Trade efforts.

* Available at https://blogs.worldbank.org/en/transport/how-does-infrastructure-support-international-trade.

The solar panels are regularly cleaned at the Rarotonga International Airport, the Cook Islands.

Significant amounts, however, remain devoted to supporting non-renewable energy sources, and grew by 32 per cent between 2020 and 2022. In 2022, US$ 1.3 billion were disbursed for non-renewable sources, a large amount of which financed coal-fired electric power plants (US$ 1.1 billion). Support allocated to energy distribution including electric power transmission soared in 2022, reaching US$ 4.2 billion, up from US$ 3.2 billion in 2020 (+32 per cent). Such support is fundamental to enable clean energy transitions, integrate growing shares of renewable energy with demand centres and facilitate private investment for clean energy (IEA, 2024).

Aid for Trade support to infrastructure can also go a long way in minimizing carbon emissions in transportation. In 2022, rail transport received the highest share of Aid for Trade disbursements targeting transportation and storage, with a total of US$ 6.2 billion – a 118 per cent increase from 2020 levels and a 52 per cent increase from 2019. Road transport was the second highest category, with US$ 5.2 billion. Road transport support grew by 14 per cent since 2020 but decreased by 9 per cent compared to 2019.

Support to building productive capacity has remained resilient overall

Despite a receding share in total Aid for Trade disbursements, support to building productive capacity has remained resilient overall, with a 3 per cent increase in 2022, after a 10 per cent decline the previous year. Aid for Trade projects and programmes in this category aim to support the private sector to exploit their comparative advantage and diversify their exports. While Aid for Trade flows in this category had been on a slightly downward trend, the number of projects reported in the CRS remains nearly twice the size of the three other Aid for Trade categories combined. Between 2020 and 2022, the number of projects reported in the productive capacity category increased by 15 per cent, compared to 10 per cent for infrastructure projects.

There is scope to scale up support to Aid for Trade projects relating to trade policy and regulations. Results from the joint OECD–WTO self-assessment questionnaires identified that trade policy and regulation, including trade facilitation, is a top priority for partner countries, and an area where respondents are continuing to seek support. Over 90 per cent of partner country respondents indicated that they are actively seeking support for trade facilitation, making it the highest-ranking financing priority.

A total of 72 per cent of respondents are seeking support in the broader trade policy and regulations category. However, in 2022, total disbursements for trade policies and regulations reached US$ 0.9 billion, down from US$ 1.4 billion in 2021 and US$ 1.2 billion in 2020. Commitments have also slightly decreased over the period.

Support to areas such as trade facilitation is key

Support to areas such as trade facilitation (which is a subcategory of trade policy and regulations in the CRS database) is key, as the impact of facilitation reforms continues to grow over time. Trade facilitation impacts on trade were strongest between the conclusion and entry into force of the WTO's Agreement on

Busia customs authority at the Kenya–Uganda border.

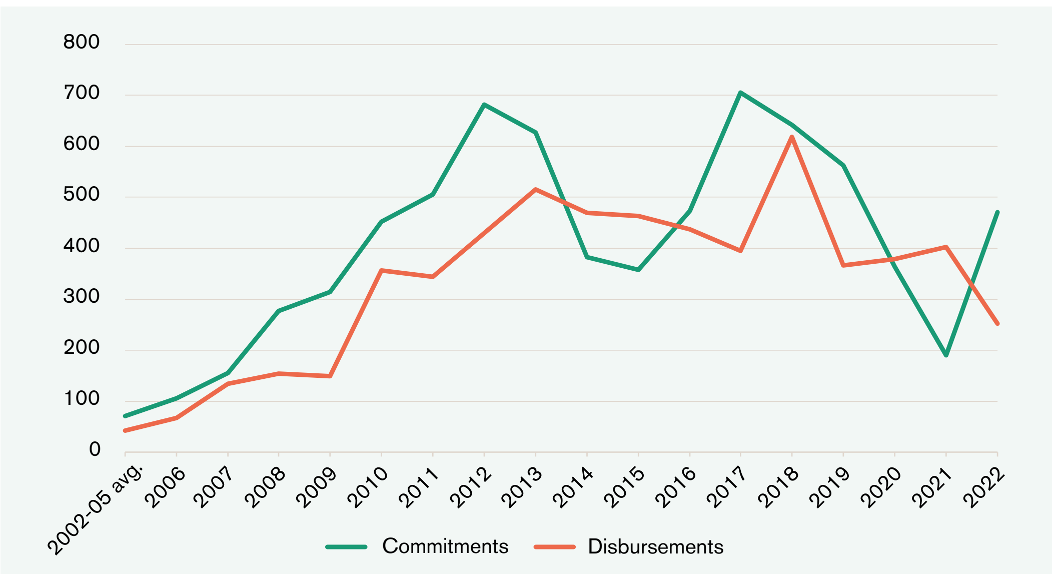
Trade Facilitation (TFA) (during 2013-2017), suggesting that negotiating and preparing for the implementation of the TFA prompted economies to initiate unilateral reforms. Overall, trade facilitation reforms since the conclusion of the TFA have helped reduce trade costs by 4.5 per cent on average and increase global trade in goods by up to 16 per cent in some regions.

Impacts are strongest for developing economies, particularly low-income and lower middle-income economies, and for manufacturing sectors such as chemicals, electrical equipment, machinery, paper and wood products, and textiles (OECD, 2023a). In sectors such as agriculture and food, the use of electronic sanitary and phytosanitary certificates has been an essential contributor to the resilience of supply chains (OECD, 2021), while a swift movement of high-quality agricultural seeds across borders is increasingly requiring harmonized certification standards and procedures.[6]

As trade is evolving, trade facilitation policies are not only needed to ensure that transactions are faster and easier, but that trade is also sustainable and resilient (see Box 5). The COVID-19 pandemic, technological developments, geopolitical tensions, climate change and extreme weather events have all been leading to a rapidly changing trade landscape and impacting not only what is traded but also how it is traded. An evolving regulatory environment for sustainability is touching on all aspects of global trade and firms across the entire value chain, while increased availability of digital tools raises new opportunities for seeking synergies between trade compliance procedures and trade facilitation policies.

Increasing commitments to trade facilitation point to a potential reprioritization towards this area, after several years of decline. While disbursements for trade facilitation decreased by 37 per cent in 2022, reaching US$ 252 million, commitments increased by 150 per cent in 2022 to US$ 471 million and are almost back at pre-pandemic levels (see Figure 7).

Figure 7 Evolution of Aid for Trade for trade facilitation, 2002-2022
(In US$ million, constant 2022 US$)



Source: OECD Creditor Reporting System.

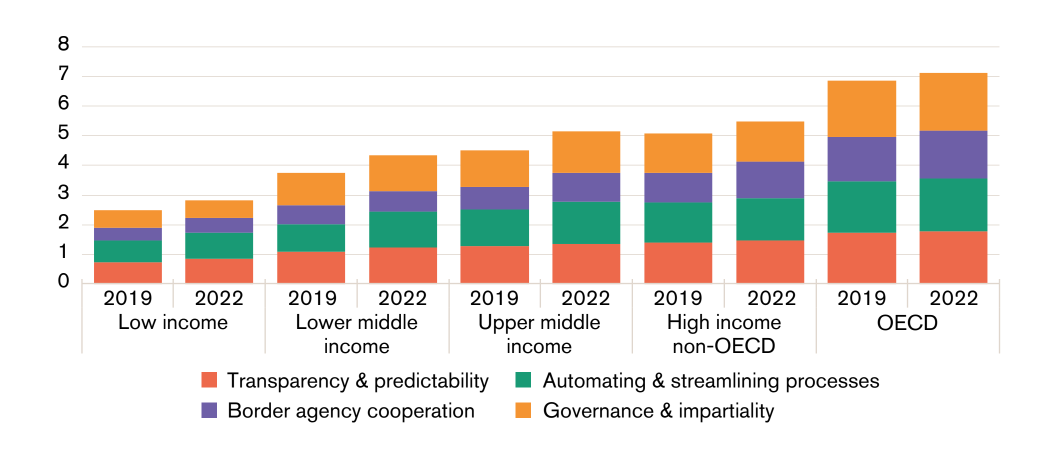
Box 5 Trade facilitation

Against a backdrop of supply chain disruptions since 2020, the global regulatory environment for trade facilitation remains dynamic as countries are trying to increase supply chain resilience. The OECD Trade Facilitation Indicators (TFIs) highlight that the trade facilitation areas that improved most by 2022 are cooperation between agencies at the border, transparency of information on trade procedures and automation tools to facilitate trade. Improvements in these three areas are larger than in the immediate period following the entry into force of the WTO Trade Facilitation Agreement in 2017.

Transparency and predictability of border processes improved significantly in low-income and lower middle-income economies, while border agency cooperation aspects improved mainly in upper middle-income economies. Automating and streamlining border procedures improved the most in lower middle-income economies. These steps forward are also confirmed when taking a regional perspective. In the areas of transparency and predictability, there is progress across all regions with respect to availability of trade-related information, while improvements in frameworks for consultations with stakeholders are notable in the Asia-Pacific, Middle East and North Africa, Latin America and the Caribbean, and Sub-Saharan Africa.

All regions made progress in simplifying and harmonizing trade-related documents, automating and streamlining border procedures, and improving the domestic cooperation between border agencies. While improvements are more modest for the area of cooperation with border agencies in neighbouring economies and other trading partners, the overall pace of reform appears to be more ambitious than that recorded in 2017-2019. Since the COVID-19 pandemic, a strong emphasis has been placed on enhancing overall communication and coordination among border agencies. This involves a wide range of government institutions and has the objective of enabling swift responses to disruptions and ensuring the continued flow of essential goods at borders.

The trade facilitation policy environment continued to improve in countries at all levels of development



Note: The OECD TFIs range from 0 to 2, where 2 is the best performance that can be achieved. Transparency and predictability includes TFIs on information availability, consultations, advance rulings, appeal procedures, and fees and charges. Automating and streamlining processes includes TFIs on automation, documents and procedures. Border agency cooperation includes TFIs on domestic and cross-border agency cooperation.

Source: OECD Trade Facilitation Indicators Simulator.

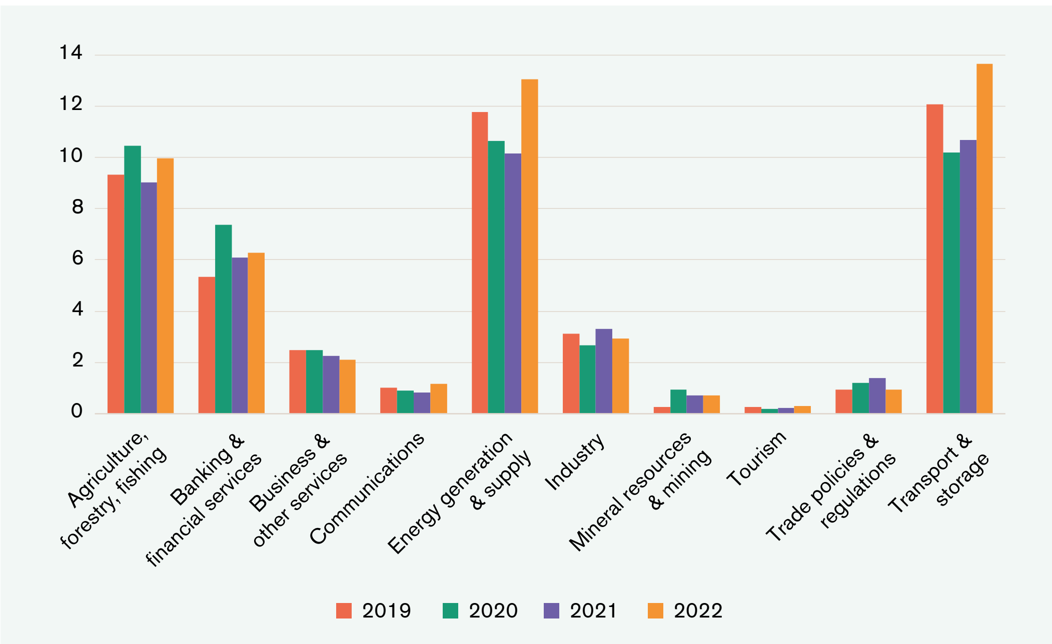
Financing partner countries sectoral priorities

Aid for Trade support at sector level aligned with partner country policy priorities

An analysis of Aid for Trade trends at the subcategory level provides further insights into the drivers of Aid for Trade growth in 2022. As Figure 8 illustrates, all economic infrastructure subcategories experienced significant growth over the period 2020-2022, with a 34 per cent increase in disbursements for transport and storage, 23 per cent for energy generation and supply and 31 per cent for communications. In the building productive capacity category, tourism increased by 66 per cent albeit from a low base, reaching US$ 0.3 billion in 2020. Industry saw a decline (-11 per cent) after a 25 per cent increase in 2021, amounting to US$ 2.9 billion in 2022. Agriculture, forestry and fishing proved resilient with US$ 10 billion disbursed in 2022, which represents a 10 per cent increase from 2021 but remains below 2020 levels (US$ 8.8 billion).

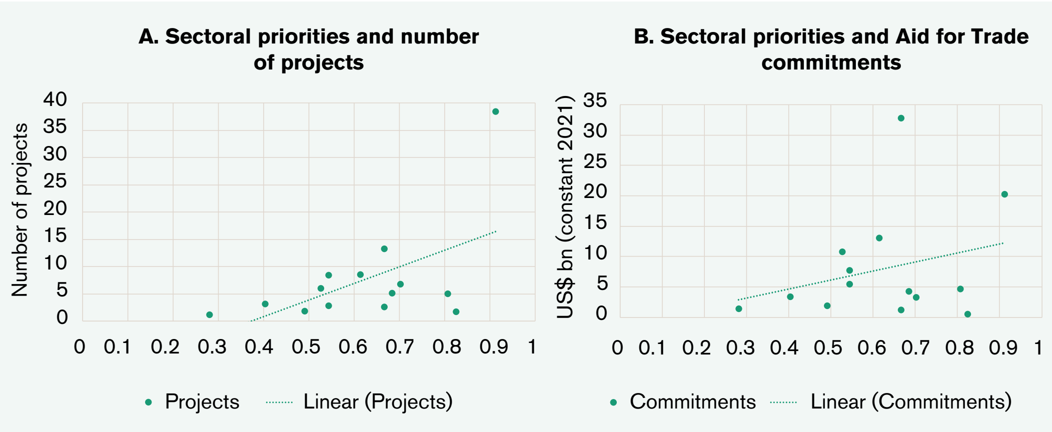
A review of Aid for Trade financing shows alignment with sectoral priorities communicated by partner countries. Figure 9 provides a visual representation of the correlation between the level of prioritization of strategic sectors, measured by the percentage of respondents from partner countries that identified a given sector as a strategic objective, and the support received for these sectors for the years 2021-2022. Panel A measures support through the number of projects funded in this category in 2021-2022, and panel B uses Aid for Trade commitments. In both cases, a moderate positive correlation can be observed, showing some level of alignment between partner priorities and funding effectively received.

Figure 8 Evolution of Aid for Trade disbursements by subcategory, 2020-2022
(In US$ billion, constant 2022 US$)



Source: OECD Creditor Reporting System.

Figure 9 **Sectoral priorities and Aid for Trade support**



Source: OECD Creditor Reporting System.

Support to agriculture increased in 2022, including to enhance food security

Several sectors rank particularly high in partner countries priorities. This includes agriculture, which ranks high as an area of priority thematic focus in the national development strategies of developing economies (chosen by 80 per cent of respondents). Agriculture is also the highest-ranking sectoral priority in partner countries' national trade objectives, selected by a total of 91 per cent of respondents.

Aid for Trade disbursements for agricultural projects grew by 11 per cent between 2021 and 2022, after a 15 per cent decline the previous year. Support predominantly focuses on agricultural development and agricultural policy and administrative management. In 2022, many of these projects had an embedded focus to enhance food security, including in the context of the COVID-19 pandemic and soaring food prices. Support to agriculture-related financial services increased by a factor of 3.2, exceeding 2020 levels.

Tourism emerges as a key priority for which support could be further scaled up

Tourism emerges as a key priority among partner country respondents – and an under-funded one. Tourism has been one of the most severely impacted sectors through the COVID-19 pandemic, hitting particularly hard countries depending on the tourism industry, including many developing economies. Results from the M&E exercise indicate that 82 per cent of partner countries have a sectoral objective or target related to tourism, making it the second highest-ranking sectoral priority. While Aid for Trade support has increased by a factor of 1.7 since 2020, total disbursements for tourism amounted to US$ 287 million in 2022, which represented 0.5 per cent of total Aid for Trade disbursements for that year. There is an opportunity to significantly scale up this support in light of priorities communicated by partner countries.

The emphasis given by partner countries on manufacturing shows industry could be prioritized

Industry could also be further prioritized, owing to the emphasis given by partner countries on manufacturing. Industry accounted for 6 per cent of total Aid for Trade disbursements in 2022, with a total of US$ 2.9 billion in disbursements. Since the launch of the Aid for Trade Initiative, US$ 34.3 billion have been disbursed in this sector, which represents 5 per cent of total amounts spent in Aid for

Trade over the period. Disbursements have increased by 11 per cent since 2020, peaking at US$ 3.3 billion in 2021 to moderately decline in 2022. Within the industry subcategory, support for small and medium-sized enterprises (SME) development account for 60 per cent of total disbursements – a focus that aligns with the high prioritization of micro, small and medium-sized enterprise (MSME) sector development among partner countries in the M&E exercise (81 per cent of respondents, making it the third top sectoral priority).

The growing focus on digitalization and e-commerce is reflected in Aid for Trade financing flows

Digitalization and e-commerce, including the digitally enabled services sector, also emerge as an important priority. The COVID-19 crisis has accelerated the digital transformation, including in developing economies, and underscored its importance for increasing the benefits of international trade and enhancing resilience. Aid for Trade disbursements in support of information and communications technologies (ICT) increased by 31 per cent since 2020, while commitments almost doubled over the past five years, cementing the role of Aid for Trade as a key support mechanism for digitalization (see Figure 10). This emphasizes the growing focus on issues related to digitalization, highlighted by the partner countries and donors in the M&E survey as one of the key priority areas for Aid for Trade support. It highlights as well that, going forward, governments and policy play an important role in helping both to enable digital transactions to occur (using trade to help digitalization) and to facilitate access (using digitalization to help trade) for the benefit of businesses and individuals.

While in many ways it has never been easier to engage in international trade, the adoption of new business models by firms has, however, made international trade transactions and policy

Figure 10 Evolution of Aid for Trade for information and communications technologies, 2002-2022
(In US$ billion, constant 2022 US$)

Source: OECD Creditor Reporting System.

issues more complex. A range of policy levers are needed to promote greater participation and benefits, including through new approaches to market openness and in developing economies. Action is required across a number of policy areas, from building digital skills and addressing digital divides to improving access to ICT goods and services and the affordability and reliability of Internet connections (OECD, 2023b).

Taking a holistic approach to market openness means understanding how trade policy issues interact with other policy domains such as privacy and data protection, innovation, competition, infrastructure, connectivity, taxation and skills. Market openness also needs to take into consideration the full range of measures that affect any particular transaction. For instance, while Internet access is a necessary condition for digitally enabled trade in goods to flourish, it is not sufficient on its own. If transportation, logistics or e-payment services in the receiving or delivering country are costly due to services trade restrictions, or if goods are held up at the border by inefficient procedures, then the benefits of digital trade may not materialize (OECD, 2023b) (see Box 6).

Box 6 Regulatory environment for digital trade

The OECD Digital Services Trade Restrictiveness Index (DSTRI) identifies, catalogues and quantifies barriers that affect trade in digitally enabled services across more than 100 economies, half of which are developing economies. DSTRI data provide policymakers with an evidence-based tool that helps to identify regulatory bottlenecks, design policies that foster more competitive and diversified markets for digital trade and analyse the impact of policy reforms. Sectoral STRIs provide insights into sector-specific regulatory barriers including those affecting foreign direct investment, the movement of services providers, and barriers to competition specific to each sector. As such, information from key sectoral STRIs that enable digital trade, such as computer services, telecommunications, courier, distribution or commercial banking services as well as key content-related services such as motion pictures, provides a more comprehensive overview of the regulatory environment affecting digital trade.

Janata Tower, Software Technology Park, Dhaka, Bangladesh.

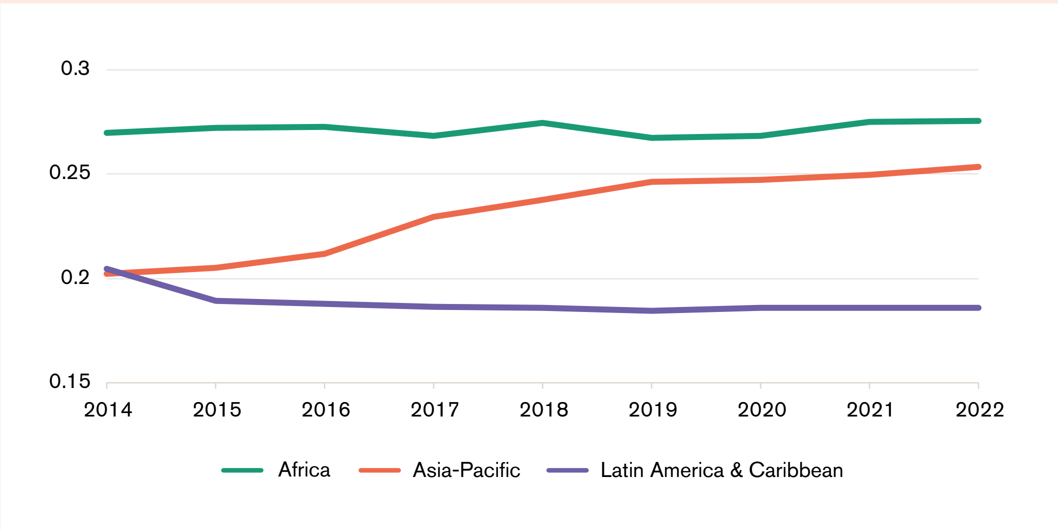
The number of regulatory barriers that affect digital trade has been growing. Average DSTRI values increased by as much as 25 per cent in 2022 compared to 2014. Globally, the DSTRI indicates that barriers are greatest in infrastructure and connectivity. These are driven by limitations on cross-border data flows, data localization requirements and lack of pro-competitive regulations on interconnections across communications networks.

Beyond the cross-cutting measures captured in the DSTRI, other sector-specific restrictions on foreign entry in services sectors critical for the digital transformation contribute the most to the STRI values, especially in commercial banking, distribution and courier services. Common barriers are those relating mostly to foreign investment. Barriers to competition are also prevalent in some sectors (notably telecommunications and courier services), as well as barriers related to the movement of professionals (computer services). Trade barriers have also increased between 2014 and 2022 in computer services (5 per cent) and telecommunications (2 per cent).

From a regional perspective, African countries have the highest levels of restrictions, but are also the top reformers, with many economies having introduced significant liberalization measures in recent years. In the Asia-Pacific region, barriers are also high on average, and have been increasing in recent years. In the Latin America and Caribbean region, the regulatory environment has been relatively stable over time, with signs of moderate liberalization.

Reforms to make regulations less restrictive can bring significant payoffs. Estimates suggest that a 0.1-point reduction in the domestic DSTRI score (capturing an important domestic regulatory reform) is associated with an increase in total exports of 145 per cent. The effect is highest for digitally deliverable services with increases in export of 277 per cent and "other services" exports (206 per cent). Importantly, the case for reform is not limited to services. An equivalent reduction in the domestic DSTRI score is associated with a 176 per cent increase in exports in agriculture and food sectors, and a 117 per cent increase in exports in manufacturing sectors. Regulatory reform is also seen to yield greater benefits for emerging economies than for high-income economies (López González *et al.*, 2023).

Digital trade regulations differ across regions, 2014-2022



Note: The DSTRI indices take values between zero and one, one being the most restrictive. It is organized under the following policy areas: infrastructure and connectivity; electronic transactions; payment systems; intellectual property rights; and other barriers affecting trade in digitally enabled services.

Source: OECD Digital Services Trade Restrictiveness Index 2023.

Scaling up Aid for Trade support while leaving no one behind

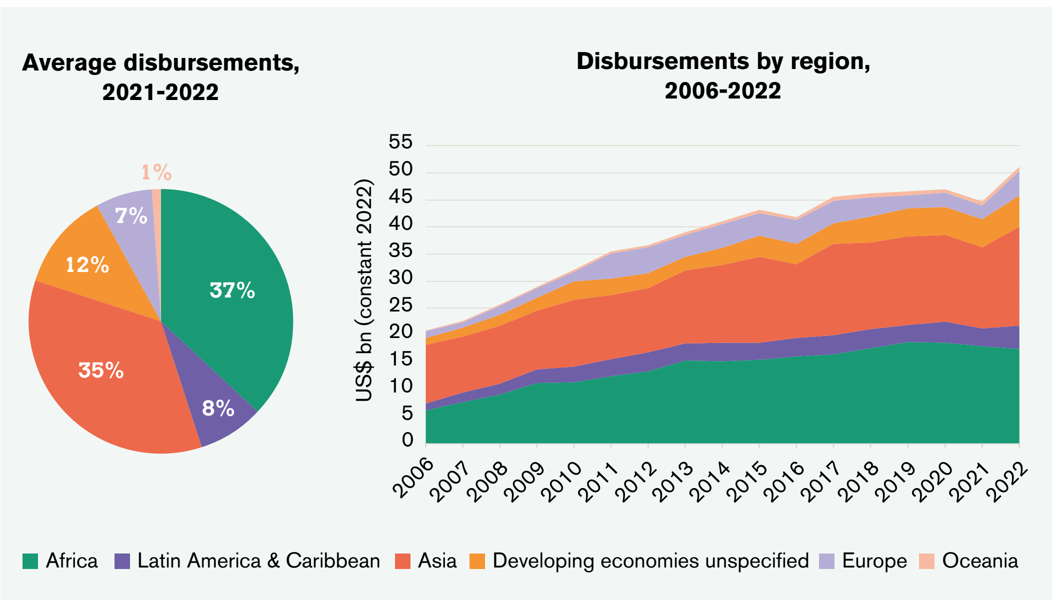
The Aid for Trade Initiative has an embedded objective to support the highest number of LDCs and has traditionally integrated a focus on Africa, which counts a number of LDCs. Results from the M&E exercise indicate that in terms of policy objectives and impact, partner countries rely on Aid for Trade to support poverty reduction, economic growth and economic diversification. In that regard, efforts to increase support allocated to low-income economies should be sustained. In a context of growing financing needs in a constrained environment, finding ways to unlock resources including through innovation and partnerships, is also essential. Ensuring that financing instruments used are adapted to specific country contexts is essential to enable the scale up and efficient delivery of projects.

Opportunities exist to enhance Aid for Trade support for Africa

Asia and Africa jointly accounted for 70 per cent of Aid for Trade disbursements in 2022 (see Figure 11). Asia received the highest share of disbursements (36 per cent), followed by Africa (34 per cent), Europe (9 per cent), Latin America and the Caribbean (8 per cent) and Oceania (1 per cent). After experiencing a 6 per cent decline in 2021, Aid for Trade disbursements to Asia increased by 22 per cent, reaching US$ 18.2 billion in 2022. Conversely, disbursements allocated to Africa have been on a downward trend since 2019. Total Aid for Trade disbursements to Africa amounted to US$ 17.54 billion in 2022, down from US$ 17.98 billion in 2021 (a 2.5 per cent decrease). As a result, Africa's share of total Aid for Trade disbursements in 2022 reached its lowest level since 2006.

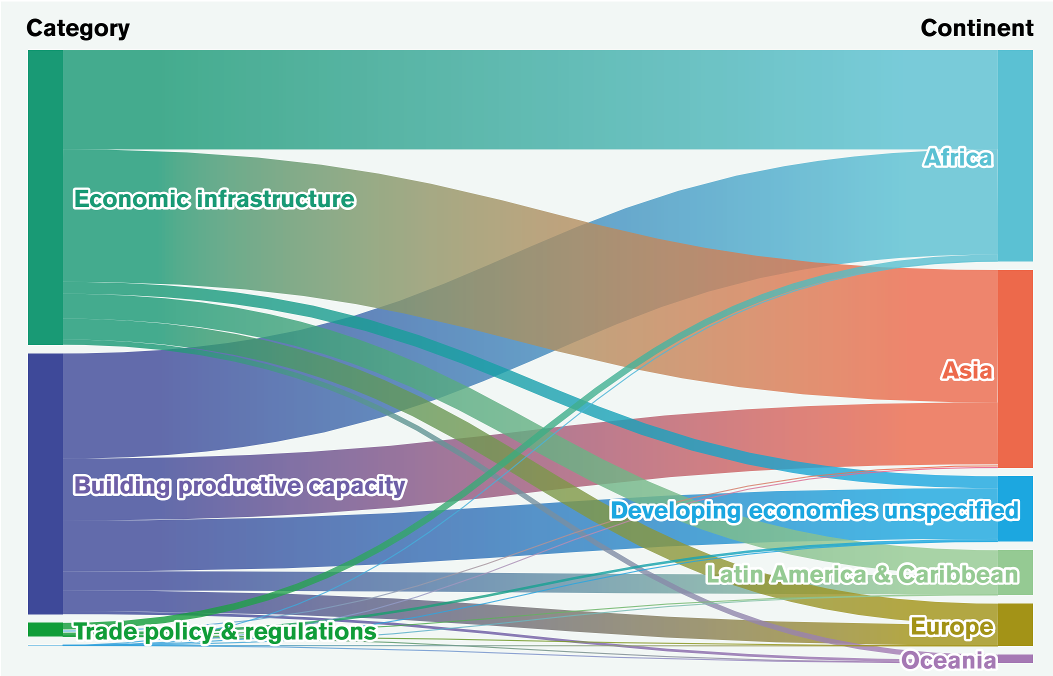
These evolutions are partially linked to the sectoral trends described previously. Asia has

Figure 11 Aggregate and share of disbursements by region
(In US$ billion and as a share of total disbursements)



Source: OECD Creditor Reporting System.

Figure 12 **Aid for Trade disbursements by category and region, 2021-2022**



Source: OECD Creditor Reporting System.

traditionally attracted a higher share of Aid for Trade financing in infrastructure-related projects than any other region, and has been the main beneficiary of the growth observed in 2020-2022 in the economic infrastructure category. The surge in disbursements for transportation and storage has notably led to a 37 per cent increase in disbursements in this sector in Asia (from US$ 5.9 billion to US$ 8.1 billion). The opposite is true for Africa, which has been particularly impacted by the decrease in disbursements intended to build productive capacities. In particular, support to banking and financial services in Africa decreased by 29 per cent since 2020, from US$ 2.9 billion to US$ 2.0 billion (see Figure 12).

Enhancing Africa's participation in global trade has long been a focus of the Aid for Trade Initiative and the broader trade and development communities. The entry into force of the Agreement Establishing the African Continental Free Trade Area (AfCFTA Agreement) has opened new opportunities to further regional trade and integration in the global trading system in the region. The effects of the COVID-19 pandemic, however, coupled with soaring food and energy prices and trade tensions, have constrained trade growth opportunities at the global level and hit African countries particularly hard.

A recent report from the Economic Commission for Africa[7] highlights the persistent challenges in boosting Africa's share in global trade, which – despite the implementation of the AfCFTA Agreement – still remains under 3 per cent, driven mostly by merchandise trade. Intra-African trade as a share of global trade declined from 14.5 per cent in 2021 to 13.7 per cent in 2022. Re-affirming Aid for Trade's focus on Africa is particularly important in this context and can go a long way in helping eliminate barriers to trade, supporting export diversification and seizing opportunities created by regional trends and the implementation of the AfCFTA Agreement (see Box 7).

Box 7 Promoting diversification and economic transformation in Africa

Africa represented about 3 per cent of global trade in 2022.* The continent's export and productive capacities reflect a high degree of concentration to primary products (e.g. commodities ranging from fuels, mining and agricultural products), which can in turn lead to highly volatile revenues due to the price boom and bust nature of the market. Recent calculations by United Nations Conference on Trade and Development (UNCTAD, 2022) indicate that 45 African economies (out of 54) are commodity dependent (i.e. 83 per cent of African countries have a share of primary commodity exports to total merchandise exports comprised between 70 per cent and 99 per cent).

As global value chains experience tremendous pressure as a result of unprecedented trade tensions, geopolitical events and physical climate shocks, trade partners and key supply chain players, including multinational enterprises, are examining ways to strengthen supply chain resilience through diversification. Being home to vast reserves of critical raw materials needed for the digital and green transition (e.g. a fifth of the world's reserves of metals and minerals required for electric cars production are in Africa), the continent has the opportunity to diversify and reset its economy toward higher value outputs in global trade (UNCTAD, 2023).

Africa has a number of comparative advantages it can harness to increase diversification of its economy. Reserves of critical raw materials constitute important comparative advantages in high-technology-intensive supply chain industries, where Africa could be well positioned as a production centre and grow its domestic markets, tapping into the world's youngest and fastest-growing population (UNCTAD, 2023).

Africa can already seize opportunities created by the African Continental Free Trade Area and increase the utilization rate from existing trade preferences – such as the US African Growth and Opportunity Act and EU Everything But Arms schemes – to build regional value chains and productive capacity (World Bank, 2022). Aid for Trade can play a role in seizing such opportunities, including by supporting investment in adequate infrastructure as well as the availability of human capital and technology.**

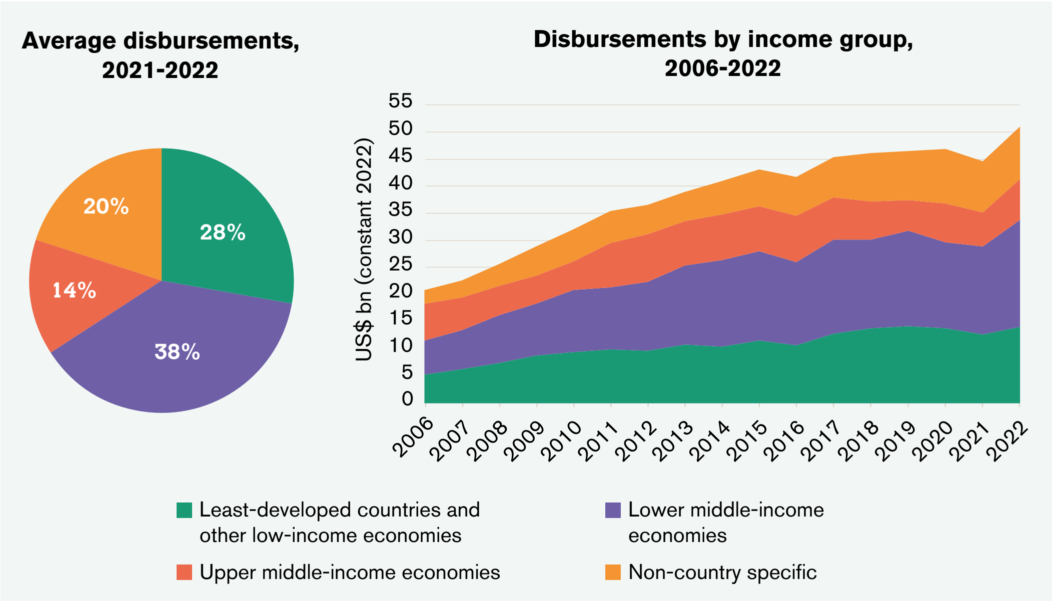
* See https://www.wto.org/english/news_e/news22_e/dtech_28jul22_e.htm.
** See https://www.oecd.org/development/africa/platform-investment-productive-transformation-africa.htm.

Scaling up support to LDCs in line with international commitments

Aid for Trade disbursements increased across all income groups in 2022, with the largest increase in lower middle-income economies (+22 per cent) followed by upper middle-income economies (+21 per cent) and LDCs and other low-income economies (+11 per cent) (see Figure 13). This increase follows a general decline in 2021, which had seen a drop by 8 per cent in disbursements to LDCs and other low-income economies, a decrease of 12 per cent for upper middle-income economies and a small increase for lower middle-income economies (+2 per cent). In 2022, Aid for Trade disbursements to LDCs reached US$ 14 billion, which represented 28 per cent of total Aid for Trade disbursements. This is higher than the share of LDCs in total ODA flows, but it marks a decreasing share of LDCs in Aid for Trade disbursements since 2020.

Since 2006, Aid for Trade disbursements to LDCs and landlocked developing economies (LLDEs) have totalled US$ 189 billion and US$ 114 billion, respectively. Small, vulnerable economies (SVEs)[8] have also received US$ 35 billion in financing. Figure 14 shows

Figure 13 Aggregate and share of disbursements by income group
(In US$ billion and as a share of total disbursements)

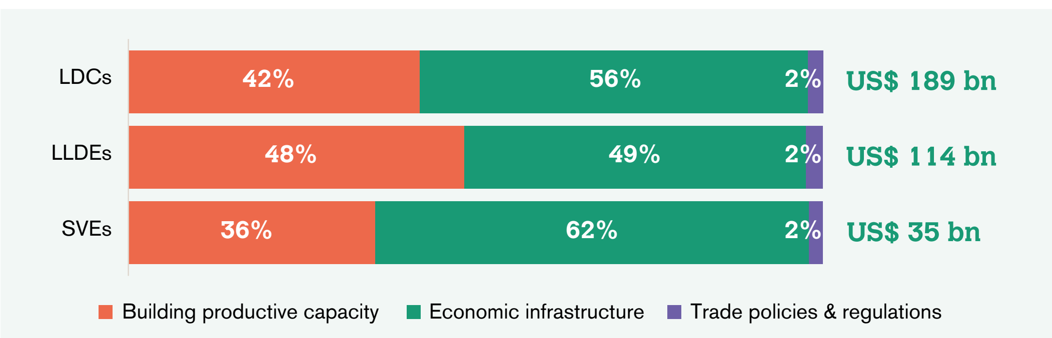


Source: OECD Creditor Reporting System.

that LLDEs have received the highest proportion of direct support for building productive capacity, with SVEs receiving the highest proportion for economic infrastructure.

The focus on LDCs is embedded in the objectives of the Aid for Trade Initiative. This priority has been reiterated in various fora. In 2021, the adoption of the Doha Programme of Action for the Least Developed Countries for the Decade 2022-2031 (DPoA)[9] integrated a commitment to significantly increase Aid for Trade support to LDCs, with an objective to double Aid for Trade support by 2031 respective to 2018 levels. With US$ 13.8 billion disbursed in Aid for Trade to LDCs in 2018, compliance with the

Figure 14 Breakdown of Aid for Trade flows, 2006-2022



Source: OECD Creditor Reporting System.

DPoA goals would require that disbursements to LDCs in 2031 amount to US$ 27.7 billion. To achieve this, disbursements to LDCs would need to increase by at least 5.5 per cent in real terms every year between 2018 and 2031, leading to total disbursements equivalent to US$ 17.1 billion in 2022. Despite notable growth in 2022, Aid for Trade support to LDCs remains far below this objective. As of 2022, meeting the DPoA targets implies an average annual growth rate in disbursements to LDCs of 7.8 per cent.

Maintaining concessionality levels is essential to effectively support LDCs and other low-income economies

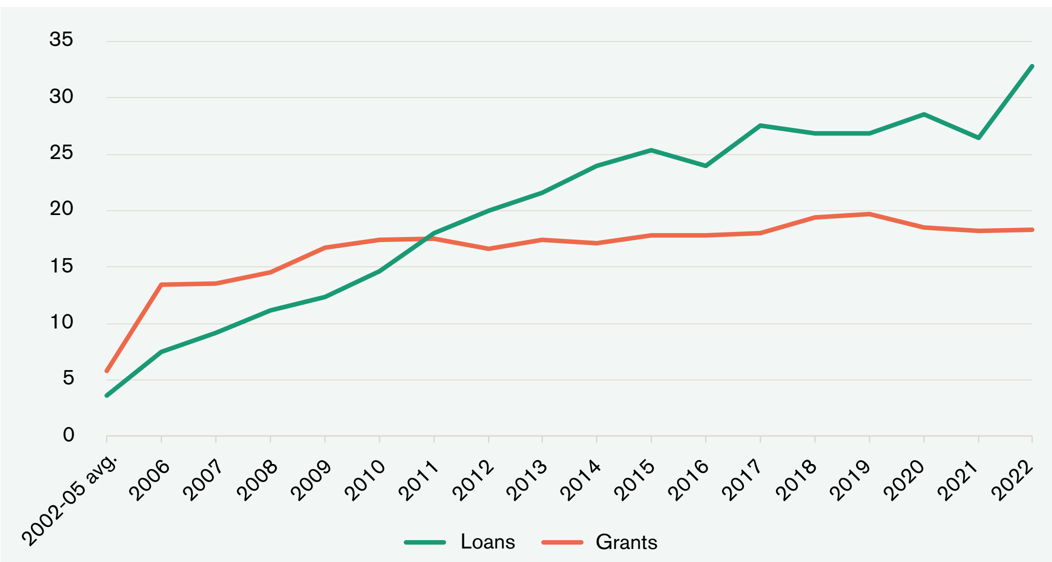
The evolution of financing modalities confirms a longer-term trend that favours loans over grants. The trend was particularly marked in 2022, which resulted in a widening gap in the share of loans (65 per cent) versus grants (35 per cent) (see Figure 15). It is worth noting, however, that grant levels have remained relatively stable, making loans the main driver of growth in Aid for Trade disbursements, without implying a decrease in the most concessional forms of support. Maintaining concessionality levels is crucial – especially to provide effective support to partner countries that need it the most.

Results from the M&E exercise indicate that 53 per cent of partner country respondents face the situation in which they are receiving an increasing share of Aid for Trade in the form of loans and a declining share of grants. Among them, 84 per cent perceive the situation as a challenge which prevents governments achieving their trade objectives. Several respondents further noted the challenge that concessional loans may pose in terms of debt sustainability in countries where fiscal space is already constrained.

Trade-related other official flows complement ODA to finance trade-related needs

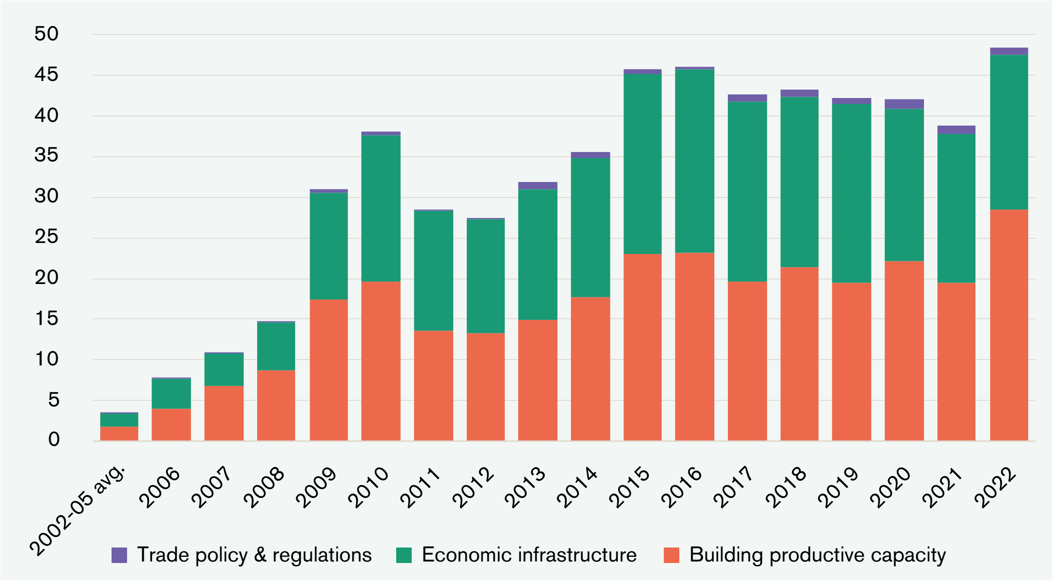
Ensuring that financing instruments are fit for purpose is a key consideration to secure resources for development while delivering on

Figure 15 Evolution of grants and loans, 2002-2022
(In US$ billion)



Source: OECD Creditor Reporting System.

Figure 16 **Trade-related other official flows, 2006-2022**
(In US$ billion)



Source: OECD Creditor Reporting System.

commitments to leave no one behind. While grants remain essential for certain activities and country contexts, various financing instruments can complement grants or be best suited for certain projects. For example, loans may be a useful instrument to support large and long-term infrastructure projects implemented in partnership with the private sector. The use of low concessional resources can also complement ODA and help ensure access to finance for a range of objectives that may not all be best served by ODA alone. In that regard, trade-related other official flows have long played an important role in supporting trade objectives in developing economies.

In 2022, disbursements of official interventions that do not meet the concessionality thresholds of ODA increased by 25 per cent, reaching US$ 50 billion. This increase was driven by support allocated to building productive capacity, in particular to support mining and minerals projects, and banking and financial services. A total of 83 per cent of trade-related other official flows were disbursed through multilateral institutions in 2022 (see Figure 16).

Private finance mobilization has become a key source of trade-related financing

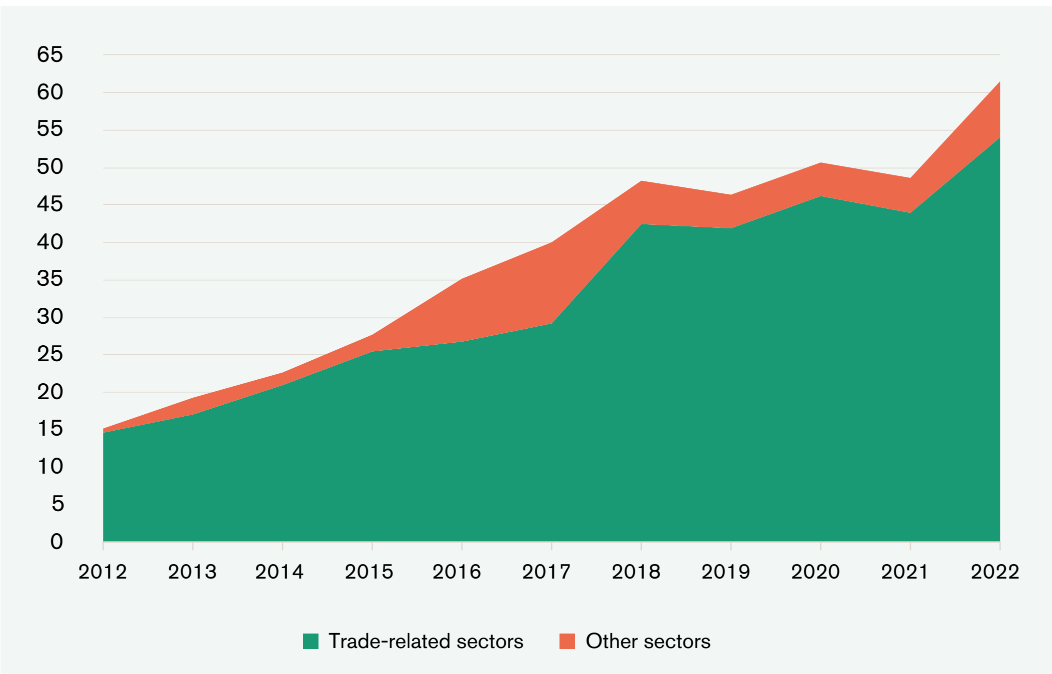
Leveraging instruments, particularly channelled through the private sector, can also help unlock additional resources for development from the private sector. Sustainable development financing needs may not all be best met by official donors. Private investment can also play an important role in financing a range of development objectives and contribute to the development of local markets. Blended finance mechanisms can help attract commercial capital towards projects that contribute to sustainable development, thereby enlarging the total amount of resources available to developing economies, complementing their own investments and ODA inflows to finance the SDGs and Paris Agreement. According to OECD data, in 2022, a total of US$ 54 billion was mobilized through official interventions in trade-related sectors, which represents 88 per cent of total resources mobilized through official interventions (see Figure 17).

Support delivered through South–South and Triangular cooperation is growing

Recent data based on the Total Official Support for Sustainable Development (TOSSD) provide insights into support delivered through South–South and Triangular cooperation. TOSSD is an international standard for measuring the full array of resources to promote sustainable development in developing economies. In 2024, TOSSD became an international forum, acting independently and hosted at the OECD. TOSSD data include information on South–South and Triangular cooperation, where South–South designates a broad framework of collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains and can take place on a bilateral, regional, intraregional or interregional basis to enable the exchange of knowledge, skills, expertise and resources to meet their development goals through concerted efforts. Triangular cooperation is framework of collaboration complementing both North–South and South–South cooperation (see Figure 18). Triangular partnerships involve at least three partners:

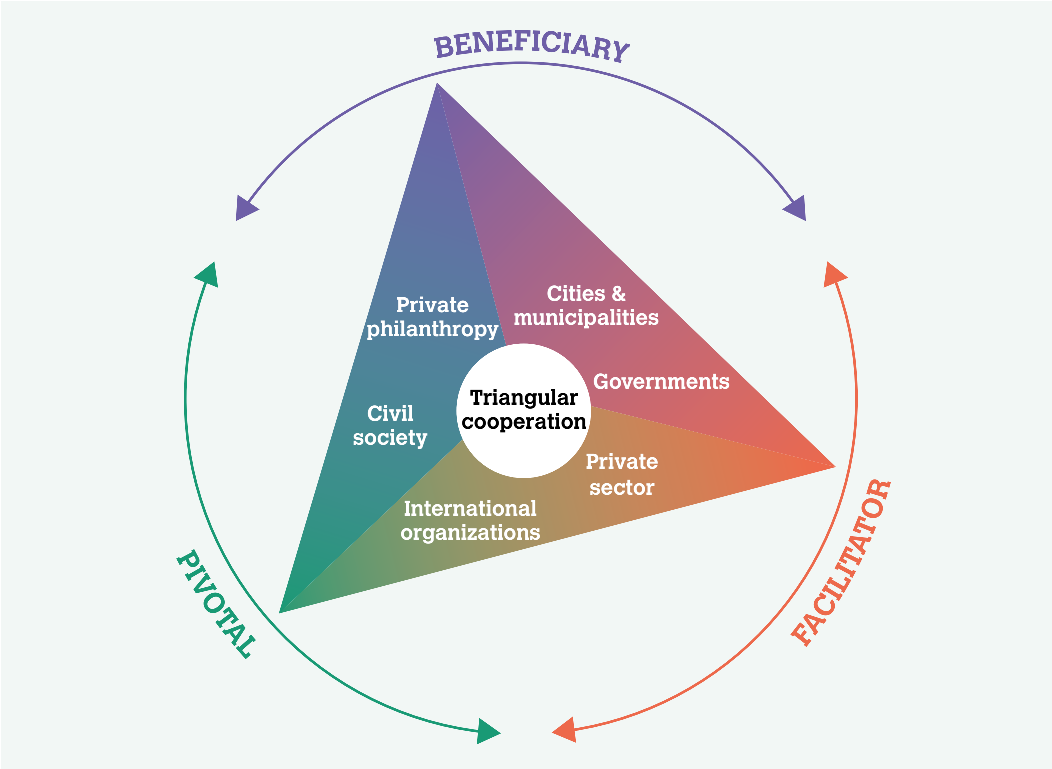
(i) a beneficiary partner that requests support to tackle a specific development challenge;
(ii) a pivotal partner that has relevant domestic experience in addressing the issue in a context similar to that of the beneficiary country;

Figure 17 Private finance mobilized through official interventions, trade-related sectors versus other sectors, 2012-2022
(In US$ billion)



Source: OECD Creditor Reporting System.

Figure 18 **Understanding Triangular cooperation**



Source: See figure 1.1 of OECD (2022).

(iii) a facilitator partner, that helps connect the other partners and supports the partnership financially and/or with technical expertise.

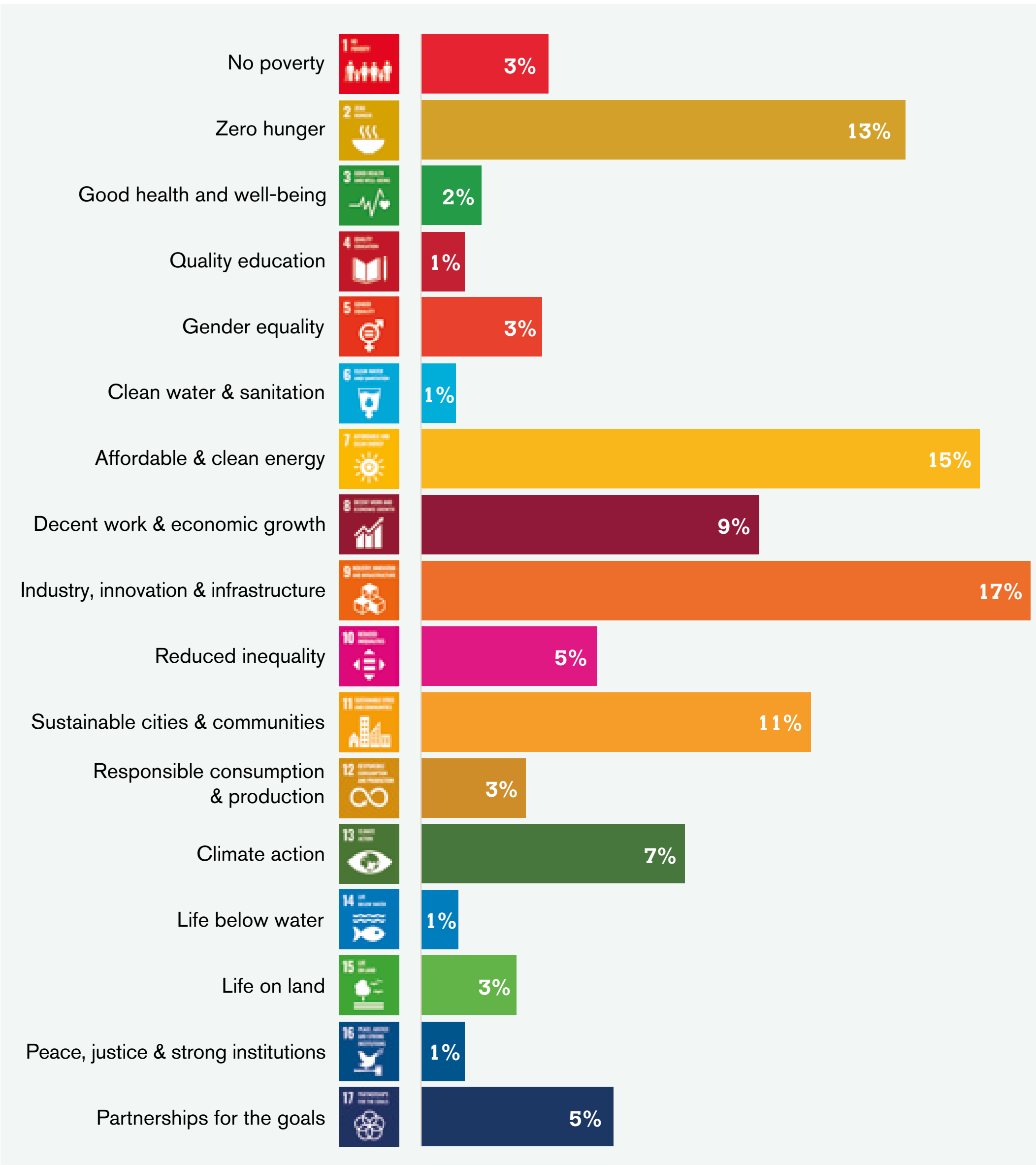
While trends may also reflect a growing number of reporters, TOSSD data indicate that South–South cooperation is gaining ground. In 2022, total support delivered through South–South cooperation amounted to US$ 1.6 billion, which represents a 10 per cent increase from 2020 levels. This amount includes both concessional and non-concessional forms of support. Triangular cooperation is also gaining ground, from approximately US$ 10 million in 2020 to US$ 60 million in 2022.[10] Scaling up South–South and Triangular cooperation on Aid for Trade can help diversify cooperation modalities and foster innovative and collaborative ways to promote trade and sustainable development.[11]

Promoting sustainable and inclusive trade

Similarly to broader ODA, Aid for Trade is increasingly called upon to achieve a range of objectives. The results from the M&E exercise indicate that partner countries and donors believe that Aid for Trade can contribute to all SDGs. In addition, 97 per cent of partner countries that participated in the M&E exercise foresaw future needs in financing trade-related SDG priorities. Sectoral and policy priorities may in that sense co-exist and overlap. For example, support given to trade-related infrastructure may support trade expansion and export diversification, while at the same time contribute to economic transformation and environmental transition.

These findings are corroborated by the analysis of Aid for Trade flows, which shows that Aid for Trade projects target all SDGs (see Figure 19). In 2021-2022, SDG 9 (industry, innovation and infrastructure) attracted the largest amount of Aid for Trade disbursements, followed by SDG 7 (affordable and clean energy), SDG 2 (zero hunger), SDG 11 (sustainable cities and communities) and SDG 8 (decent work and economic growth).

Figure 19 Average share of Aid for Trade disbursements, 2021-2022
(In per cent)



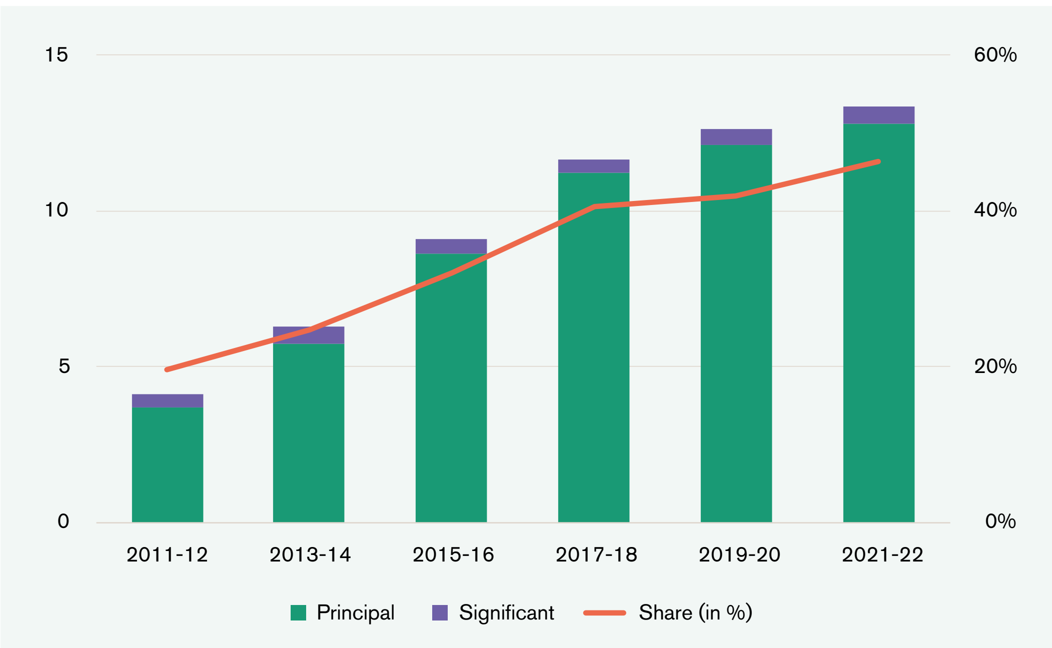
Source: OECD Creditor Reporting System.

Gender equality and empowering women remain an important Aid for Trade focus

Promoting gender equality and women's economic empowerment remains an important Aid for Trade focus. OECD data indicate that average Aid for Trade commitments from bilateral donors including an objective to promote gender equality grew by 6 per cent between 2019-2022 and 2021-2022, reaching 46 per cent of total Aid for Trade commitments (see Figure 20). This is notable in the context of broader evolutions of gender-related ODA in 2021-2022, which saw a 2 percentage point decrease over that period. Asia attracted 44 per cent of gender-related Aid for Trade commitments in 2021-2022, followed by Africa (29 per cent), Latin America and the Caribbean (7 per cent), Europe (5 per cent) and Oceania (0.5 per cent).

There are also important linkages to other Aid for Trade categories in promoting women's economic empowerment, such as trade facilitation. Women traders are often at an even greater disadvantage to meet the significant cost and time demands of complex trading requirements, since they own and manage smaller businesses than men do, and they have less time due to an increased burden of unpaid work. Societal structures and norms can also hamper women's opportunities, including legal frameworks. Availability of trade-related information, automation and streamlining of border processes can be particularly important for women-led firms, as they can help reduce the costs of engaging and enhancing participation in international trade (Korinek *et al.*, 2021; OECD, 2023c). In the digital era where more small parcels cross international borders and offer new opportunities for women-led businesses to engage in trade, issues such as trade facilitation are taking on greater significance (López González and Sorescu, 2021).

Figure 20 Average Aid for Trade commitments with a gender equality objective, 2011-2022
(In US$ billion and as a share of total commitments)



Source: OECD Creditor Reporting System.

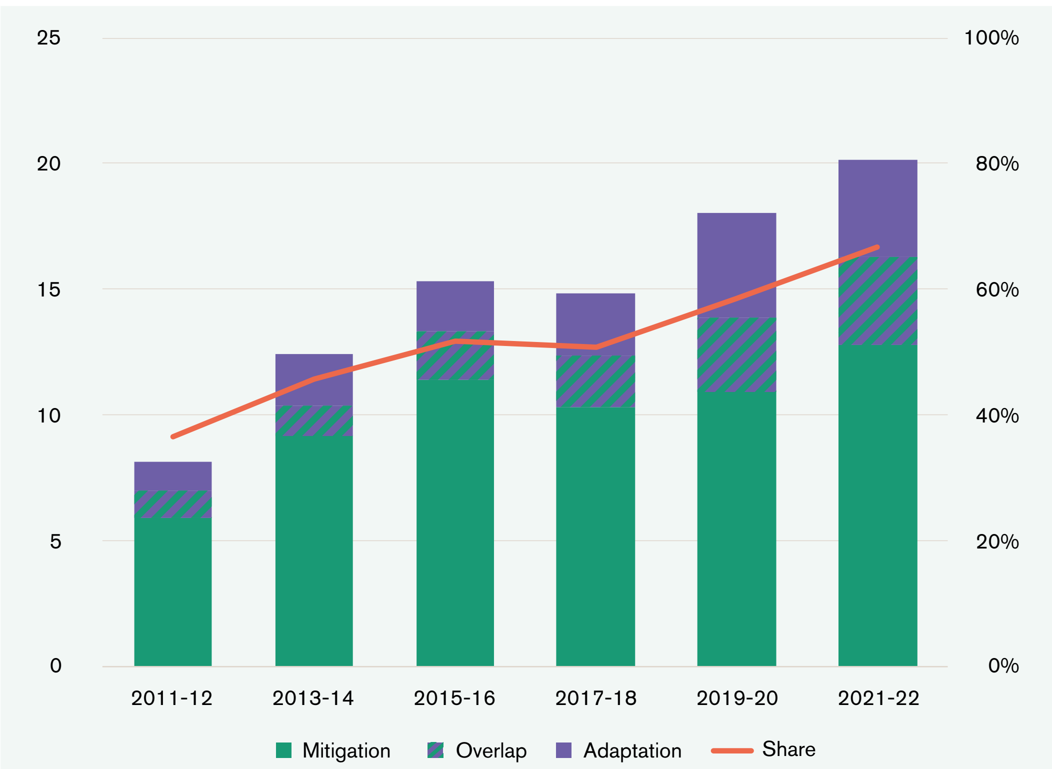
Aid for Trade has a role in supporting climate-related objectives

Aid for Trade can also play a role in supporting climate-related objectives. A total of 91 per cent of donors foresaw future needs in financing trade-related aspects of climate change. Climate change also ranked high in partner country priorities, as 77 per cent of respondents indicated that Aid for Trade can help finance climate action. In 2021-2022, average climate-related Aid for Trade commitments from bilateral Development Assistance Committee donors amounted to US$ 20 billion, which represented 67 per cent of bilateral Aid for Trade commitments for that period. This is significantly higher than the share of climate-related ODA for that period.

Climate-related Aid for Trade increased by 12 per cent between 2019-2020 and 2021-2022, after a small decline in 2017-2018 (see Figure 21). The increase was driven by a growth in Aid for Trade related climate mitigation (+18 per cent), while climate adaptation declined by 3 per cent. Climate mitigation represents 80 per cent of total climate-related Aid for Trade commitments – and there is scope to significantly increase support to adaptation.

Aid for Trade can help respond to the climate challenge in various ways. More frequent extreme weather events and rising sea levels will have direct consequences on trade. The infrastructure of supply, transport and distribution chains are likely to become more vulnerable to disruptions and require future climate-proof investments.

Figure 21 Average climate-related Aid for Trade commitments, 2011-2022
(In US$ billion and as a share of total commitments)



Source: OECD Creditor Reporting System.

In addition, trade and trade policies can play a key role in maximizing countries' positive contribution to environmental sustainability. Increased trade in goods and services can contribute towards more effectively managing environmental issues. Open markets can improve access to new technologies that reduce the use of inputs such as energy, water and other environmentally harmful substances. Barriers to trade in environmental goods are also barriers to the dissemination of key environmental technologies which are not otherwise widely available. By accessing cleaner inputs, domestic firms can apply their specific capabilities to new opportunities in the global value chains of renewable industries.

Trade policies can also support: the diffusion of goods, services and technologies for the collection, waste management and recycling of goods; improving access to repair and re-manufacturing operations of polluting products; and the creation of markets for environmentally sound and effective clean substitutes. Such policies promote the circular economy and should be present at all stages of a product's life cycle. This would significantly contribute to reducing pollution from products such as plastics or provide access to inputs for environmentally friendly products such as lithium-ion batteries for electric vehicles (Yamaguchi, 2022; Moisé and Rubinova, 2023; Moisé and Tresa, 2023).

ENDNOTES

1. See https://www.un.org/sustainabledevelopment/blog/2023/04/press-release-with-clock-ticking-for-the-sdgs-un-chief-and-barbados-prime-minister-call-for-urgent-action-to-transform-broken-global-financial-system.
2. *Recommendations of the Task Force on Aid for Trade*, WTO document WT/AFT/1, 27 July 2006.
3. See https://www.mea.gov.in/Images/CPV/G20-New-Delhi-Leaders-Declaration.pdf.
4. *Abu Dhabi Ministerial Declaration*, WTO document WT/MIN(24)/DEC, 4 March 2024.
5. See https://www.oecd.org/dac/triangular-cooperation.
6. The OECD Seed Schemes provide an international framework for the certification of varietal identity and purity of agricultural seed moving in international trade. In total, 61 countries from around the world currently participate in the OECD Seed Schemes.
7. See https://www.uneca.org/stories/african-countries-trading-more-outside-the-continent-than-amongst-themselves%2C-eca-report.
8. SVEs are WTO members that account for only a small fraction of world trade. They are particularly vulnerable to economic uncertainties and environmental shocks (see https://www.wto.org/english/thewto_e/minist_e/min11_e/brief_svc_e.htm).
9. General Assembly resolution 76/258, Doha *Programme of Action for the Least Developed Countries*, UN document A/RES/76/258, 6 April 2022.
10. Data available at https://tossd.org.
11. See https://www.oecd.org/dac/triangular-cooperation.

3

Impact and effectiveness of Aid for Trade

Fishermen fish for tuna in the Indian Ocean, Maldives.

IMPACT AND EFFECTIVENESS OF AID FOR TRADE

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

Top areas where Aid for Trade has an impact

Partner countries

Trade facilitation	83%
Trade policy & regs	63%
Agriculture	59%
Regional trade agreements	54%
Multilat. trade negotiations	51%
Trade educ. & training	51%

Donors

Trade facilitation	74%
Digital connectivity & e-commerce	70%
Banking & finance	61%
Trade trans. & storage infrastr.	61%
Agriculture	61%
Trade policy & regs	61%

Top challenges encountered in aligning Aid for Trade with policy objectives

Partner countries

Programme funding cycles too long	59%
Conditions attached to funding	58%
Human capacity constraints	58%
Weak institutional capacity	56%

Donors

Weak institutional capacity	68%
Lack of donor coordination	54%
Human capacity constraints	43%
Programme funding cycles too long	43%

Can Aid for Trade effectiveness be measured?

Partner countries	Donors
58% Yes	70% Yes

Does Aid for Trade align with the priorities?

YES, 80%

of partner countries and donors agree

The joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise promotes transparency and accountability. It seeks to foster continual improvement in supporting developing economies and least-developed countries (LDCs) to enhance their trade capacity and overcome the supply-side constraints they face, and which prevent them from engaging more fully in the multilateral trading system.

Several approaches have been used to explore how Aid for Trade is making a difference. One approach is to measure whether Aid for Trade financing succeeds in achieving a set of defined objectives. The 2006 *Recommendations of the Task Force on Aid for Trade*[1] can serve as the guide for that purpose. The Task Force envisaged Aid for Trade as helping:

> "To enable developing countries, particularly LDCs, to use trade more effectively to promote growth, development and poverty reduction and to achieve their development objectives".

In other words, Aid for Trade should help unlock the full potential of trade as a driver of development. Various approaches, including surveys, project and programme evaluations and economic studies have researched the impact of initiative across different trade-related dimensions.

Many donors and partner countries have made efforts to assess whether specific Aid for Trade projects and programmes achieve their intended objectives. The self-assessment questionnaire supports this process by allowing respondents to share information on the alignment and effectiveness of Aid for Trade received and to provide examples of best practice or suggestions on how it could be improved. This information is also complemented by research on the impact and effectiveness of Aid for Trade, such as independent evaluations of Aid for Trade programmes and academic studies.

It is important to note that the questionnaire invites responses based on perceived outcomes. Direct outcomes of Aid for Trade are more clearly demonstrated at the project level – and based on independent evaluations. As a general rule, the effects of Aid for Trade outside the project is more difficult to establish – for example, causal linkages between inputs such as financing and impacts such as increases in export diversification. New approaches using artificial intelligence may make such linkages easier to track in the future.

Econometric modelling can address this challenge. Hence, this chapter explores some of the economic research on Aid for Trade effectiveness, with a focus on export performance. An encouraging finding in this regard is that economies with a narrower initial export base have demonstrated an expansion in their export product range and markets reached. This is complemented by information on export diversification collected by the WTO Secretariat which show that in aggregate, LDCs, landlocked developing economies and small, vulnerable economies have improved export diversification.

Beekeepers in Zambia benefit from the support of the Enhanced Integrated Framework and the International Trade Centre.

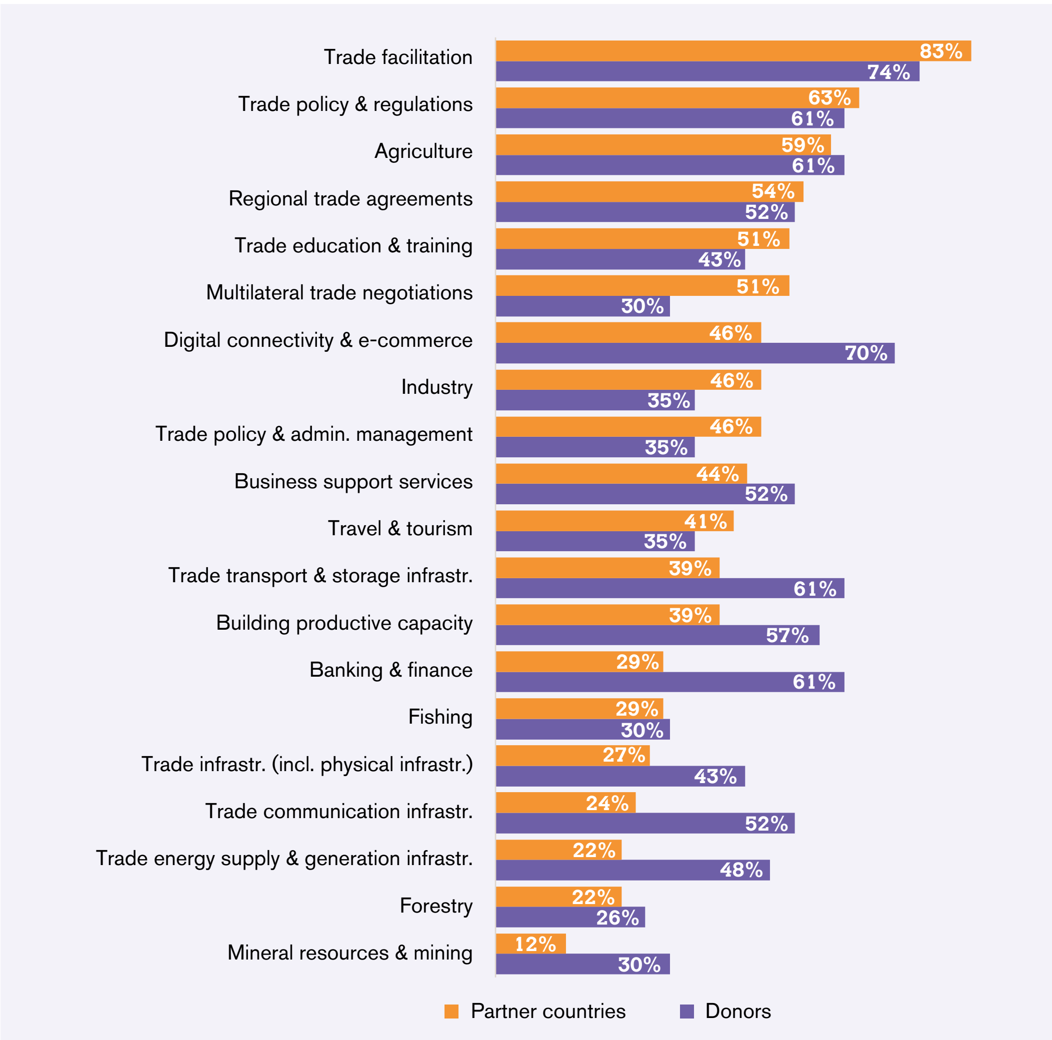
Aid for Trade impact

Responses to the M&E exercise point to impacts across a broad range of thematic areas. Partner country respondents cite trade facilitation, support for trade policies and regulations (including regional trade agreements and multilateral trade negotiations), agriculture, and trade education and training as areas in which Aid for Trade has the most impact (see Figure 1).

Figure 1 shows that donors also reported that Aid for Trade had an impact on trade facilitation and agriculture. Donor responses also suggest that Aid for Trade has positively impacted digital connectivity and e-commerce, trade-related transport and storage infrastructure, and banking and financial services.

It is encouraging that all categories included in the questionnaire attracted replies from

Figure 1 Areas where Aid for Trade has an impact
(As a percentage of responses)



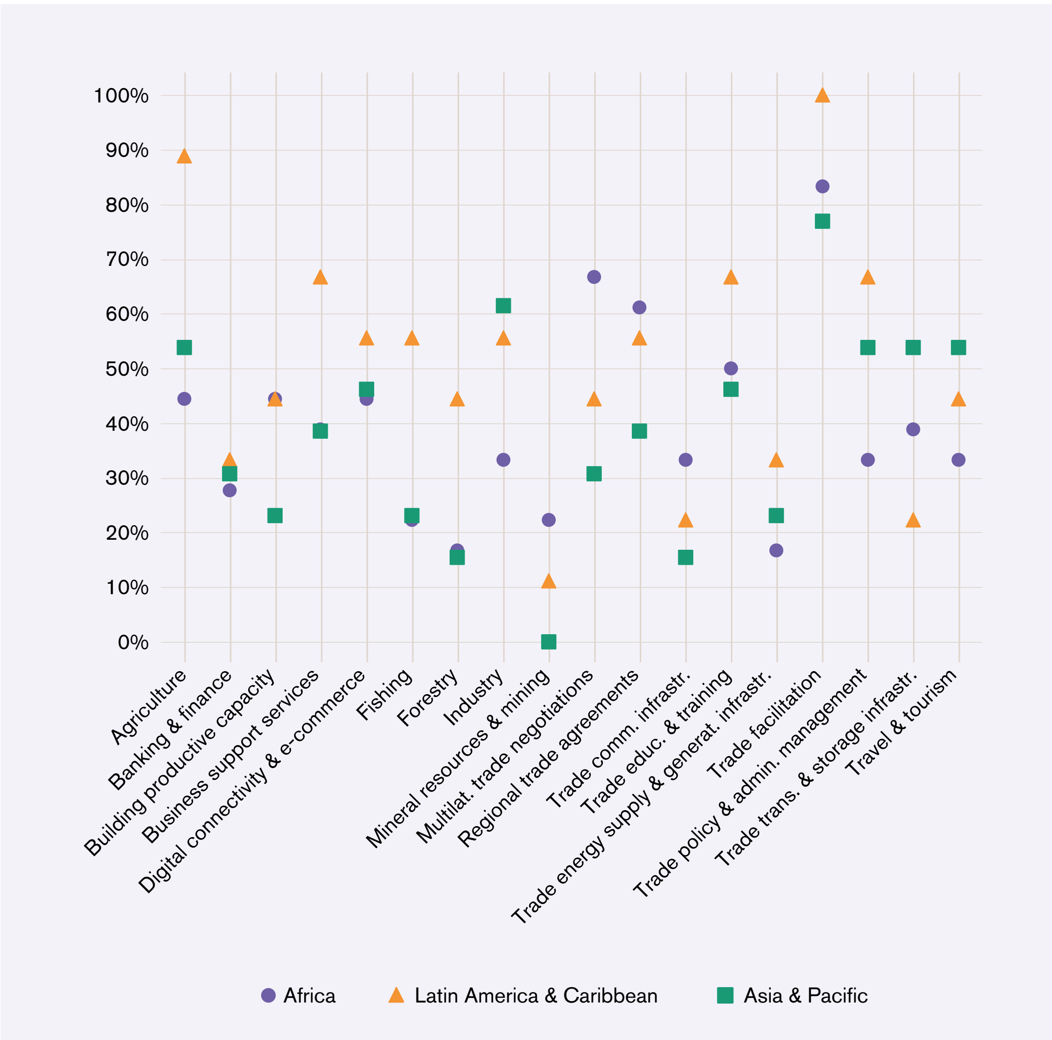
Source: Joint OECD–WTO M&E exercise.

both partner countries and donors. This indicates that Aid for Trade support has an impact across a wide range of topics.

Figure 2 provides a regional breakdown of partner country views displayed in Figure 1. Trade facilitation is the most cited category in all three regions, capturing 100 per cent of responses from Latin America and the Caribbean. Agriculture also scored high in responses from this region. Digital connectivity and e-commerce attracted similar large responses.

Figure 2 also highlights some differences. For example, industry was cited less by African respondents than respondents from the other regions indicated. The same was also true of trade policy and administrative management and travel and tourism, which scored more highly outside Africa.

Figure 2 Areas where Aid for Trade has an impact, by partner country region
(As a percentage of responses)



Source: Joint OECD–WTO M&E exercise.

Case study

Aid for Trade assistance delivered through the Enhanced Integrated Framework

The Enhanced Integrated Framework (EIF) was frequently referenced by least-developed countries and donors in the questionnaire as an example of best practices. The following provides an overview of five such EIF projects.

Bhutan

The EIF has helped to significantly advance export diversification and promote local products under the prestigious "Brand Bhutan" initiative and enhanced trade facilitation through upgraded systems and infrastructure. By supporting the establishment of product display shelves in supermarkets in the capital city, Thimphu, the initiative has increased the visibility of products from cottage and small industries.

The EIF has played a pivotal role in approving 68 products for the Made in Bhutan initiative and three products for the Grown in Bhutan initiative, with a noteworthy representation of women entrepreneurs. The Bhutan Trade Fin Net system marks a significant milestone in establishing a National Single Window for trade facilitation. By seamlessly integrating cross-border trade and financial transactions, this system addresses the imperative for automated processes to enhance the recording and monitoring of international transactions. As a result, it fortifies macroeconomic planning and management, fostering a conducive environment for sustainable economic development.

The Gambia

Recognizing the critical need for enhanced trade infrastructure to support its growing export sector, The Gambia partnered with the EIF to upgrade the air cargo complex near Banjul International Airport. The complex, inaugurated in February 2018, represented a significant step towards facilitating trade and improving access to global markets for small enterprises.

The enhancements made to the air cargo complex, including improved infrastructure, packaging standards and staff training, have led to significant efficiency gains, reducing handling times by up to 40 per cent. Moreover, the complex now generates approximately US$ 54,000 per year in customs fees, providing tangible evidence of its economic viability. These successes have not only garnered support from other funding partners but have paved the way for broader initiatives, such as those integrating trade and digital economy objectives, signalling a promising trajectory for sustained growth and development in the country.

Lesotho

The EIF has helped small-scale horticultural farmers in Lesotho adopt greenhouse farming technology, in collaboration with the International Trade Centre, leading to the creation of the country's inaugural central market for fresh fruits and vegetables in Maseru. This endeavour not only helped alleviate poverty and unemployment but also directly benefited women and youth. Furthermore, the EIF has assisted the government in establishing an advantageous trade landscape and in securing entry to fresh markets for Lesotho's commodities and services.

The air cargo complex in The Gambia.

Solomon Islands

The EIF has significantly contributed to the Solomon Islands' tourism sector through strategic investments and capacity-building initiatives. By supporting the development of policies, quality standards and infrastructure, the EIF has enhanced the country's tourism offerings and attracted a surge in visitor arrivals. This growth has not only contributed to the economy, with tourism services accounting for a notable percentage of GDP, but also empowered local communities, particularly women, who now play a pivotal role in the sector. With a focus on sustainability and resilience, EIF's interventions have positioned the Solomon Islands as a competitive player in the global tourism market.

Zambia

The EIF has supported the honey sector, resulting in significant improvements in production, quality and environmental sustainability. This support led to an increase in export income from US$ 684,000 in 2011 to US$ 6,090,000 in 2022. These achievements have spurred financial backing after the EIF project's lifespan from other stakeholders to bolster this value chain. Notably, the Africa Development Bank's Africa Trade Fund, backed by the Government of Canada, provided US$ 1.4 million, a direct result of the support from the EIF.

Source: EIF Secretariat.

The following sections examine the three areas of trade facilitation, agriculture and digital connectivity and e-commerce in greater detail.

Impact on trade facilitation

Aid for Trade impacts trade facilitation

83%

of partner countries agree

74%

of donors agree

In total, 83 per cent of partner countries and 74 per cent of donors identified trade facilitation as a thematic area where Aid for Trade had an impact. The Asian Development Bank (ADB), Australia, the European Union, France, Germany, Kenya, the Netherlands, the United States and the World Bank all pointed to examples of trade facilitation projects with measurable impacts.

In its response to the questionnaire, France indicated that impacts on trade facilitation are more easily measured, and various metrics had been developed. Both the OECD and the WTO have developed metrics to measure implementation of the Agreement on Trade Facilitation (TFA) (see Box 13 in Chapter 1).

The ADB noted that the Central Asia Regional Economic Cooperation (CAREC) Program's Integrated Trade Agenda had achieved good progress most notably on implementation of the TFA. A report by the ADB's Independent Evaluation Department on the CAREC Program found that the "ADB has made significant progress in helping improve connectivity in the subregion but contributed modestly to improving regional economic competitiveness, due to continuing challenges in removing barriers to trade."[2] The report highlighted "the importance of strengthening support for investment climate and trade policy reforms, modernization of border crossing points and customs processes, development of a multimodal corridor network, climate change mitigation and adaption, and better results monitoring."

Australia pointed to the South Asia Regional Trade Facilitation Program as supporting economic growth and women's economic empowerment through trade, integration and

Expert opinion

The transformative impact of Aid for Trade in Vanuatu

By Brill Palmer, Trade and Development Specialist, Vanuatu's Ministry of Trade and Commerce

Over the past 15 years, Vanuatu has used Aid for Trade support to bolster various development programmes. Support has been received from development partners such as Australia, New Zealand, the European Union and China, as well as international agencies like the Asian Development Bank and the World Bank.

The Vanuatu Tourism Infrastructure Project, funded by the New Zealand and Vanuatu Governments through the Enhanced Integrated Framework, exemplifies the positive outcomes of well-designed Aid for Trade initiatives. The project upgraded Vanuatu's tourism infrastructure, a crucial sector for the nation's economy. Improved facilities, enhanced infrastructure, upgraded transportation networks, and developed tourist attractions all played a part in expanding the tourism industry and creating opportunities for Ni-Vanuatu.

Aid for Trade helped streamline Vanuatu's border clearance procedures through digitalization and simplifying processes for importers and exporters. The Electronic Single Window between Vanuatu's Government and the United Nations Trade and Development simplified and modernized trading operations, enhancing efficiency, reducing barriers, and facilitating smoother international transactions, as highlighted in the Asia-Pacific Trade and Investment Report 2021 (ESCAP *et al.*, 2021).

Under Vanuatu's Trade Policy Framework and industrial policy, Aid for Trade was vital in supporting initiatives like Vanuatu Made. The global recognition of the quality and authenticity of Vanuatu-crafted products is elevating local brands, capturing international markets and enhancing the competitiveness of Vanuatu's products for economic diversification and sustainability, including products such as kava, cocoa, coconut, fisheries, forestry, fruits and vegetables and livestock.

Vanuatu urges the WTO, our development partners, international cooperation, and the wider international community to ensure our vulnerabilities, both natural and economic, are highly considered when allocating Aid for Trade. For small island developing countries, inadequate resources will translate to incomplete development outcomes, leaving our shores with vulnerable foundations for us today and risking our future for tomorrow. Climate change poses a significant threat to our shores, and we cannot discuss Aid for Trade without addressing climate change and its implications for our development, which entails our greatest risks.

In 2023, Vanuatu was hit by two category 4 cyclones just two days apart, affecting over 66 per cent of the population. Vanuatu is no stranger to the effects of climate change – hence the urgency of our concerns. Vanuatu is also susceptible to rising sea levels and increased ocean acidification. These factors magnify our natural and socioeconomic vulnerabilities, putting our resilience and adaptive capacity to the test.

Building resilience with support from Aid for Trade is crucial for us, requiring more support to ensure current and future Aid for Trade assistance is effective. The glaring impact of the COVID-19 pandemic is also a major hindrance to our development journey, causing delays in some of our major Aid for Trade funded initiatives in the industry and construction sectors, particularly our feeder roads connecting our large agricultural-producing communities. Furthermore, support provided under the Aid for Trade Initiative to our services sector has been considerably limited. Considering that this sector gives us a competitive advantage, we strongly urge development partners to enhance their support for Vanuatu in addressing this issue.

connectivity, primarily along the Eastern Corridor of South Asia (comprising Bangladesh, Bhutan, India and Nepal). Although trade between the four countries in the region grew six-fold between 2005 and 2019, much untapped potential remains.

The European Union pointed to the ECOWAS Interconnected System for the Management of Goods in Transit (SIGMAT – Système Interconnecté de Gestion des Marchandises en Transit) as an area where Aid for Trade is having a measurable impact. The SIGMAT programme is operational in nine ECOWAS members and interconnects customs IT systems with the aim of smoothing the flow of goods along the various road corridors in the region, by eliminating multiple checkpoints and load breaks at borders.

The World Bank highlighted support provided through its Trade Facilitation Support Program (TFSP) to the Western Balkans that has improved alignment with the TFA 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.

The work has been leveraged into a World Bank lending operation to build Single Windows in six Western Balkan countries. The Netherlands also cited the World Bank's TFSP as an example where trade facilitation support is having a measurable impact.

The Global Alliance for Trade Facilitation initiative was cited by both Germany and the United States as an example of Aid for Trade with measurable impacts.

Responses to the questionnaire illustrate that trade facilitation projects are often bundled up in larger hard infrastructure projects that seek to enable the cross-border movement of goods (see Box 1).

Kasumulu border post in Tanzania and a few metres from Malawi.

Another example of how hard infrastructure projects can amplify trade facilitation reforms is a project impact fund jointly managed by France's Caisse des Dépôts and the Agence Française de Développement. A project run in Morocco has a direct trade-facilitation impact. In cooperation with the private sector, the construction of new warehouses and the optimization of distribution channels aims to reduce logistics costs, which currently amount to roughly 20 per cent of Morocco's GDP.[3]

China also highlighted several South–South projects which address both hard and soft infrastructure for trade facilitation. The wide range of initiatives include the renovation of border crossing infrastructure in Mongolia and Nepal and maritime facilities for Cameroon, Ghana, Guinea-Bissau and Sierra Leone. Beyond infrastructure, China has extended technological support to enhance customs clearance processes by providing essential equipment and technology to streamline customs operations in countries such as Cuba, Egypt, Georgia, Ghana, Indonesia, Kazakhstan, the Kyrgyz Republic, Tajikistan and Togo.

Expert opinion

Global Alliance for Trade Facilitation

By Phillipe Isler, Executive Director, Global Alliance for Trade Facilitation

The Global Alliance for Trade Facilitation was born out of the successful negotiations of the WTO Trade Facilitation Agreement in 2013. The Alliance was conceived as a dynamic mechanism supporting the implementation of the TFA in developing economies and least-developed countries (LDCs). The Alliance embodies three pioneering features: deep collaboration with the private sector, spanning from governance involvement to on-the-ground operational support; a capacity for agile and responsive operations, able to pivot towards trade reforms with greatest political and stakeholder backing; and a commitment to measure the tangible impact of its initiatives in quantifiable terms.

As of 2024, the Alliance is successfully executing on its mandate, having delivered 20 impactful projects and currently spearheading 18 additional initiatives across 25 countries worldwide. To date, Alliance projects have generated US$ 142 million in savings with a 264 per cent return on investment.

Our project portfolio illustrates how trade facilitation can take many forms and have diverse impacts. For example, in Guatemala, the digitalization of authorizations for vessels across four key ports is set to reduce process costs by 85 per cent and lead to savings of US$ 4 million per year. While in Cambodia, digitalizing customs processes for small package shipments has helped pave the way for more MSMEs to venture into cross-border e-commerce. Other projects in Senegal, Fiji, Tunisia or Jordan are demonstrating how eliminating bottlenecks at borders can help to ensure that perishable food products reach markets in optimal condition therefore reducing waste.

Our project development work is rooted in a well-established co-creation methodology, facilitated through public–private dialogues. Each project is crafted to address specific TFA articles with a focus on gauging the reduction in time and cost of trade and the resultant economic savings. Upholding stringent gender mainstreaming guidelines, our initiatives are designed to bolster small and medium-sized enterprises (SMSEs).

The wealth of experience gathered over the years, spanning the full spectrum of interventions, provides a portfolio of consolidated learnings that we use internally but can also benefit others.

A key development is the real progress made in relation to successful collaboration between governments and the private sector. When working in real and sustained partnership to deliver trade reform, trust is formed as a byproduct and becomes a catalyst for improving the trading environment.

Measuring impact remains paramount, and our Alliance places a premium on private sector evaluation of concrete trade benefits. Applying such an approach in the context of Aid for Trade is of tremendous benefit. The Alliance believes in bottom-up approaches, where small positive results lead to stakeholder confidence, enabling a controlled scaling up of activities.

As new regulations appear, we advocate for lean and digitized processes right from the start, mitigating paperwork, data requirements and pressures for all stakeholders involved.

Above all we remain a group of organizations working together with the single aim of making trade easier, towards creating jobs and opportunities for all, with special focus on the developing world.

Box 1 Kazungula Bridge trade facilitation project

Botswana reported that the construction of the Kazungula Bridge was an example of best practice. Financed by the Japan International Cooperation Agency and the African Development Bank, this landmark project spans 923 m, with border facilities on both sides. The opening of the Bridge, linking Botswana and Zambia over the Zambezi River, means travellers no longer need to rely on pontoon boats to cross at this location. The bridge is a combined transport configuration, including two car lanes in each direction, a single rail track and pedestrian walkways on both sides.

It serves as a crucial conduit for trade and transportation along the North–South Corridor, increasing economic growth and connectivity across the region. This project reflects a collaborative endeavour between the governments of Botswana and Zambia. The establishment of the Kazungula Bridge Authority underscores their shared commitment to its operation and maintenance, ensuring seamless connectivity and trade facilitation for years to come.

Source: See https://www.afdb.org/en/news-and-events/kazungula-bridge-project-expand-regional-integration-and-trade-across-southern-africa-43688.

Construction of the Kazungula Bridge, linking Botswana and Zambia.

Impact on agriculture

Approximately US$ 125 billion, or 18 per cent of all Aid for Trade financing, has been disbursed to the agriculture sector since the start of the Aid for Trade Initiative in 2006. Responses to the M&E exercise indicated that agriculture continues to be a priority area of focus for stakeholders. Table 1 outlines some of the impacts reported, and Boxes 2 and 3 present examples of agricultural support through electronic phytosanitary certification and cashew value chains in Tanzania, respectively.

Aid for Trade impacts agriculture

59%
of partner countries agree

61%
of donors agree

Table 1 Aid for Trade impact on agriculture

Respondents	Impact
Australia	Market Development Facility (MDF) initiative to stimulate the private sector in strategic economic areas, fight poverty and achieve sustainable economic growth and climate change adaptation MDF supports investments in agriculture, fisheries, tourism, services, information and communications technologies and finance In Fiji, MDF support resulted in fresh and chilled agricultural exports increasing from A$ 69 million to A$ 86 million in 2020, surpassing sugar exports for the first time, and mainly due to high-quality niche agricultural commodities (i.e. certified ginger products, fresh turmeric, kava)
Brazil	Support for the Cotton Sector in Africa helped increase cotton productivity and improve fibre quality in 18 African countries (Benin, Burundi, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Ethiopia, Guinea, Malawi, Mali, Mozambique, Kenya, Senegal, Sudan, Tanzania, Togo, Zambia, Zimbabwe)
European Bank for Reconstruction and Development (EBRD)	EBRD rolled over €4 million guarantee in May 2022, allowing LLC Technotorg, a key distributor of agricultural machinery in Ukraine, to continue importing goods Deal included in EBRD Shareholder Special Fund and occurred in the face of significant political and economic barriers
France	Fit for Market helped strengthen agri-food export sector of African, Caribbean and Pacific countries by: ▪ facilitating market access (strengthening benchmarking, raising norms and standards) ▪ strengthening value chains (technical assistance and training) ▪ increasing impact (via the creation of networks and alliances and support for access to financing) Evaluation in 2023 showed 71 per cent of small and medium-sized enterprise (SMEs) and producers adopted good practices Ivorian Cooperative Society of Agricultural Producers obtained social and Fairtrade certification, upgrading to European standards and organic pineapple exports increased 3,500 tonnes per year
European Union	Within SWITCH-Asia initiative, the recently completed 2020-2023 project "Promotion of supply and demand of Eco-Fair Agri-food processing products in Vietnam" addressed sustainable supply chain management with a focus on green trade and facilitated the integration of micro, small and medium-sized enterprise into supply chains
Lesotho	Horticultural Productivity and Trade Development Project, financed through Enhanced Integrated Framework funds with support provided by the International Trade Centre, helped to improve productivity of small-scale farmers to produce high-value fruits and vegetables through adoption of greenhouse technology Using this technology, farmers grew non-traditional crops, such as cucumbers, and supplied to retail businesses and hotels
Zambia	Trade and Investment Project for Enhanced Competitiveness of Zambia's Apiculture Sector improved access to markets for honey and honey products

Box 2 Agricultural support through electronic phytosanitary certification

The ePhyto Solution project run by the Standards and Trade Development Facility (STDF) until 2020 improved the capacity of developing economies to facilitate safe, secure and efficient trade in plants and plant products through electronic phytosanitary certificates – known as ePhytos. Countries can electronically exchange ePhytos through a central hub, quickly, accurately and at low cost. The risk of loss, damage or fraud to the certificate is greatly reduced, as is the administrative burden on both border agencies and business. The collaborative nature of the project also paves the way for countries to exchange other types of data with trading partners.

The project was successfully completed in 2020 at a cost of about US$ 1.7 million, and currently 125 countries are connected to the exchange hub, with 76 of those regularly using the system to send, receive or both send and receive ePhytos. The project delivered efficiently at relatively low cost the expected output and impact of lowering trade barriers and trade costs, with a wide and diverse reach across country contexts, but it also added significant security to the process of plant trade, greatly reducing incidence of fraudulent certificates among countries using ePhytos. The OECD (2021) estimates that the total value of exports for selected agri-food product groups could increase by up to 32 per cent two years after implementation of SPS e-certificates.

Source: See https://standardsfacility.org/PG-504.

Box 3 Innovating in the cashew value chain in Tanzania

Tanzania is among the world's largest producers of raw cashew nuts and accounts for 75 per cent of the total production in East Africa. Cashew nuts was the most exported cash crop in Tanzania in 2022, with exports generating US$ 232 million. However, more than 80 per cent of the exports are raw cashew nuts sent to Viet Nam and India for processing, before entering the global market.

Workers in a warehouse sort cashew nuts, Tanzania.

To address this gap, Care International, in partnership with the Danish International Aid Development Agency, is currently implementing a four-year project to improve the cashew value chain in Tanzania. The project aims to reach 3,000 smallholder cashew farmers the Tanga region of Tanzania through organized activities with local business schools, village savings and lending associations and agricultural cooperative societies. Under the project, cashew farmers will have the opportunity to co-own the cashew processing facility with the private company Out-Growers Tanzania Limited.

Source: Adapted from https://danida-business-partnerships.dk/projects/innovating-the-cashew-value-chain-in-tanzania.

Canada's Climate-Smart Agriculture and Food Systems initiative helps to achieve agriculture growth by targeting smallholder farming development in developing economies, including LDCs. It has helped to provide tailored financial products to support business expansion, increasing revenues and added-value to products.

The ADB's Trade and Supply Chain Finance Program (TSCFP) committed US$ 2.6 billion in 2022 in support of food security, including US$ 530 million to underpin food security by enabling trade that supported farmers across Asia and the Pacific. In 2022, the TSCFP reached more than 6,300 small and medium-sized enterprises and delivered assistance within one to two days. Nearly 30 per cent of the transactions facilitated trade between developing economies. A Green Equipment Facility was also launched to help companies acquire energy-efficient equipment to cut the carbon intensity of their supply chains.

Impact on digital connectivity and e-commerce

Aid for Trade impacts digital connectivity and e-commerce

46%

of partner countries agree

70%

of donors agree

Aid for Trade has had an impact in promoting digital connectivity and e-commerce, with 81 per cent of partner countries responding that expansion of the digital economy was a priority in their national development plans.

Partner countries wish to see continued assistance in this area: 84 per cent noted that cross-sectoral e-commerce required continued Aid for Trade support. Table 2 outlines some of the impacts reported.

A worker packs hilsa herring in ice at a fish market in Bangladesh.

Table 2 Aid for Trade impact on digital connectivity and e-commerce

Respondents	Impact
Asian Development Bank (ADB)	Central Asia Regional Economic Cooperation (CAREC) Program, the ADB has improved connectivity and accelerated digital trade in the region Through support delivered under the CAREC Program, Azerbaijan, China, Mongolia, Tajikistan and Turkmenistan have signed the Framework Agreement on Facilitation of Cross-Border Paperless Trade in Asia and the Pacific Azerbaijan, China and Mongolia now party to the United Nations Convention on the Use of Electronic Communications in International Contracts
China	Construction of fibre-optic networks in Angola, Nigeria, the Solomon Islands and Uganda Implementation of rural e-commerce projects in the Lao People's Democratic Republic
European Union	E-Tariff Book facilitates the publication of information on rates of duty applied by parties to the Agreement Establishing the African Continental Free Trade Area (AfCFTA Agreement) under their Schedules of Tariff Concessions It provides several search functionalities, comparison of applicable rates between all parties and options to download the results, making it a practical instrument for trading under the AfCFTA Agreement
Senegal	Implementation of a national e-commerce platform
Sri Lanka	Implementation of Electronic Certificate of Origin (eCoO), developed with the assistance of Germany's main development agency – GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) and International Trade Centre Accessible to exporters from anywhere, the eCoO portal allows for easy registration and payments Entire process is digital, including the incorporation of e-signatures, ensuring compliance with prominent free trade agreements such as the India–Sri Lanka Free Trade Agreement and the South Asian Free Trade Area. Initiative has significantly reduced the burden on exporters by streamlining the process of obtaining an eCoO under preferential trade agreements eCoO system has led to a 94 per cent reduction in the total time required, slashing processing time to just 30 minutes Elimination of all processing costs offers exporters a highly efficient and cost-effective solution

Source: Joint OECD–WTO M&E exercise.

Impact on export growth and diversification

(a) Economic research

Recent literature points to the effectiveness of Aid for Trade in expanding the trade potential of developing economies and LDCs. The positive effect of Aid for Trade on export development is reported in Yang *et al.* (2023). Moreover, their research indicates that Aid for Trade measures have been particularly helpful in improving the ability of recipients to meet the non-tariff measures imposed by trading partners.

The regional effectiveness of Aid for Trade was analysed by Lee and Oh (2022), who find that Aid for Trade has a significant positive effect on the exports of Asian economies, particularly the transition economies in the Greater Mekong Region (Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam). They note that Aid for Trade disbursed for trade policy and regulation which complements government-led initiatives can have a positive effect on the trade performance and regional integration of transition economies.

Interlinkages between Aid for Trade, export diversification and foreign direct investment (FDI) were investigated by Gnangnon (2021). The study notes that Aid for Trade exerts a positive effect on inward FDI stock in countries that experience a high level of export product concentration, and the higher the degree of export product concentration, the greater is the magnitude of total Aid for Trade flows on inward FDI stock.

In a recent working paper, Aboushady *et al.* (2023) examine the effectiveness of Aid for Trade in improving export flows in a sample of over 155 developing economies. The study concludes that Aid for Trade flows tend to foster exports of recipients, both at the extensive margin (i.e. establishing new trading partners) and intensive margin (i.e. expanding established bilateral trade volumes). In line with Lee and Oh (2022), the study points at the effectiveness of Aid for Trade specifically directed towards improving trade

An employee at a clothes manufacturer in Cambodia inspects the quality.

policy and regulation flows. The authors also highlight that strengthening governance and institutional structures strengthens the effectiveness of Aid for Trade measures.

Nathoo *et al.* (2021) highlight the strong interlinkages between sectoral Aid for Trade support and export diversification in sub-Sahara Africa. In line with Aboushady *et al.* (2023), they find that Aid for Trade is conducive to exports and export diversification along extensive and intensive margins. Furthermore, when analysed by Aid for Trade category, they suggest that Aid for Trade towards trade facilitation is better at boosting exports at the extensive margin in the short run and that it has a greater impact on productive capacity building along both export margins in the longer term.

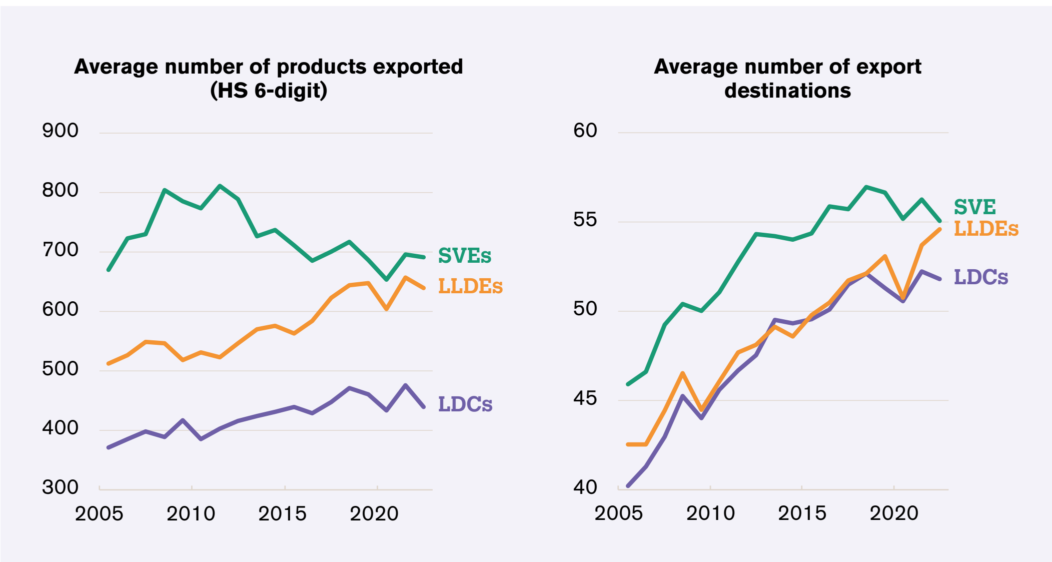
The scenario described in Aboushady *et al.* (2023) seems to be supported in part by export diversification statistics. One of the key objectives outlined in the 2006 *Recommendations of the Task Force on Aid for Trade*[4] is that Aid for Trade must help "developing countries, particularly LDCs, to build supply-side capacity and trade-related infrastructure in order to facilitate their access to markets and to export more". Export diversification emerges as a key metric for success in this context.

The 2019 edition of *Aid for Trade at a Glance* (OECD/WTO, 2019) examined export diversification as a key topic. It concluded that economic and export diversification in the agriculture sector had been achieved by most respondents. It also highlighted diversification in the industrial and services sectors, although this was more focused on respondents in certain regions (notably Asia). The analysis focused on the evolution of trade and did not include statistical analysis linked to Aid for Trade data.

(b) WTO analysis of export diversification

The following analysis seeks to provide a more granular view of export diversification based on the earlier analysis. Figure 3 presents the evolution of export diversification based on this earlier analysis. Figure 3 sheds light on the evolution of export diversification based on the number of exported products at the level of Harmonized System (HS) 6-digit products[5] exported and the average number of export markets reached for three economy groups over the period 2005-2022 – LDCs, landlocked developing economies (LLDEs) and small, vulnerable economies (SVEs). The average number of products exported by LDCs and LLDEs increased as well as the number of markets reached. The picture for SVEs is more complex in that early progress made in 2005-2010 in product export diversification reversed in the 2010s.

Figure 3 Number of exported products and export markets, 2005-2022



Note: European Union counted as one destination. Number of products is based on HS 6-digit products. To avoid that an increase/decrease in the number of product codes across HS versions causes an increase/decrease in the number of products exported, all product codes are converted to one HS version. To minimize distortions through the conversion, the HS2007 version was used. Results stay similar when no conversion is applied. They are qualitatively consistent with data from the World Bank's World Integrated Trade Solution (WITS) data, which convert to HS 1992.

Source: WTO Secretariat estimates based on importer data.

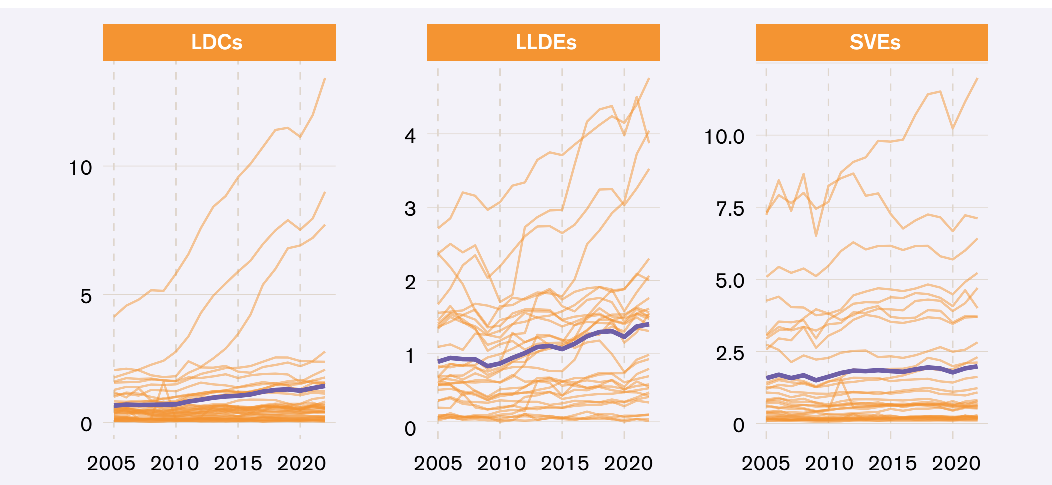
Figure 4 presents a combined index of export diversification, taking into account both the number of products as well as the number of export markets. From the charts, a series of high performers emerge, as well as a good number of other economies that have made steady progress. In the LDC and SVE category, there are also economies that have remained largely static over the period in terms of export diversification achieved.

A similar analysis of export diversification for services is complicated by data constraints. For instance, classifications for types of services are not as detailed as those for merchandise products. In addition, data availability is a persistent issue when focus on developing economies. Figure 5 shows that among LDCs, LLDEs and SVEs, the COVID-19 pandemic pushed services exports downwards. This effect has been universal, not just limited to the economy groups shown in the figure. This pandemic effect is also evident when considering the number of destinations by services exports.[6] After a more or less steady increase since 2010, the number of export markets reached declined markedly due to the COVID-19 pandemic. Since then, some economies managed to increase their share of services trade and the number of destinations, but in 2021 remained largely below pre-pandemic levels.

The three economy groups have seen the value of their services exports grow over much of the past decade. SVEs enjoyed a rapid rate of increase over this period with services exports, driven upwards by tourism, expanding from US$ 49 billion in 2010 to US$ 81 billion in 2019. This sector was hit hard by COVID-19 (see Figure 5). Services exports of LDCs and LLDEs also track upwards over the same period, although less steeply.

An analysis of the statistics on export diversification reveals that economies with a narrower initial export base, such as Bangladesh, Cambodia and Viet Nam (see Box 4), have demonstrated an expansion in their export product range and markets reached. Figure 6 shows the export diversification within the Multilateral Trade Negotiations (MTN) categories, which are the broad product categories used by the WTO for trade statistics and policy analysis.

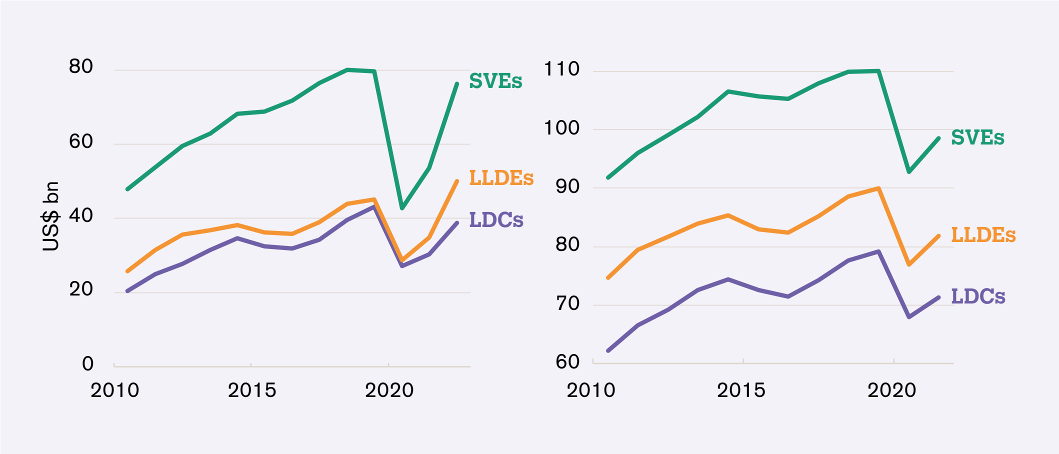
Figure 4 Export diversification index, 2005-2022



Note: Orange lines show individual economies; the purple line illustrates the regional average. Number of products is based on HS 6-digit products.

Source: WTO Secretariat estimates.

Figure 5 Services exports and markets reached, 2010-2022
(In US$ billion and average number of destinations)



Source: (Left) WTO Secretariat calculations based on WTO–United Nations Trade and Development (UNCTAD) estimates. *(Right)* WTO Secretariat calculations based on the WTO–OECD Balanced Trade in Services (BaTiS) dataset.

Port of Doraleh,
Djibouti.

Box 4 Aid for Trade in Viet Nam and expanding export diversification potential

Viet Nam has enjoyed considerable success in realizing export diversification and trade integration potential. A growing number of product lines are exported by Viet Nam to an increasing number of destinations. While the country exported fewer than 3,000 different products before 2000, it exported more than 4,000 products in 2022.

Viet Nam's success in capturing trade potential corresponds to a period during which it was a major Aid for Trade recipient. Viet Nam was the second largest Aid for Trade recipient in 2006 to 2021, with aggregate flows valued at US$ 29 billion. Roughly 25 per cent of this funding was disbursed to help build productive capacity. It thus provided a platform to expand firm-level productivity and export diversification capacity. Data from the World Bank also suggest that the country was able to attract US$ 13.26 billion in foreign direct investment over the same period.*

Inclusive, sustainable and connected coffee value chains

Viet Nam is the second largest coffee exporter in the world. A project initiated in 2018 by the Japan International Cooperation Agency and the Asian Development Bank explored ways to upgrade Viet Nam's coffee value chain potential by diversifying into processed coffee production. Domestic coffee production was generally restricted to raw coffee, which is at the lowest stage of added value creation.

Valued at US$ 163 million, the project aimed to expand Viet Nam's ability to process and export coffee products (e.g. for roasted coffee) by providing working capital investments to smallholder farmers. The funding also helped farmers integrate into value chains, thus adding more value into local markets and improving agricultural value chains. This project aligned with the Government of Viet Nam's development objective of advancing the domestic agricultural product processing industry.

Vietnamese farmer harvests coffee cherries.

Enhancing the export competitiveness of small and medium-sized enterprises in spice, fruit and vegetable subsectors

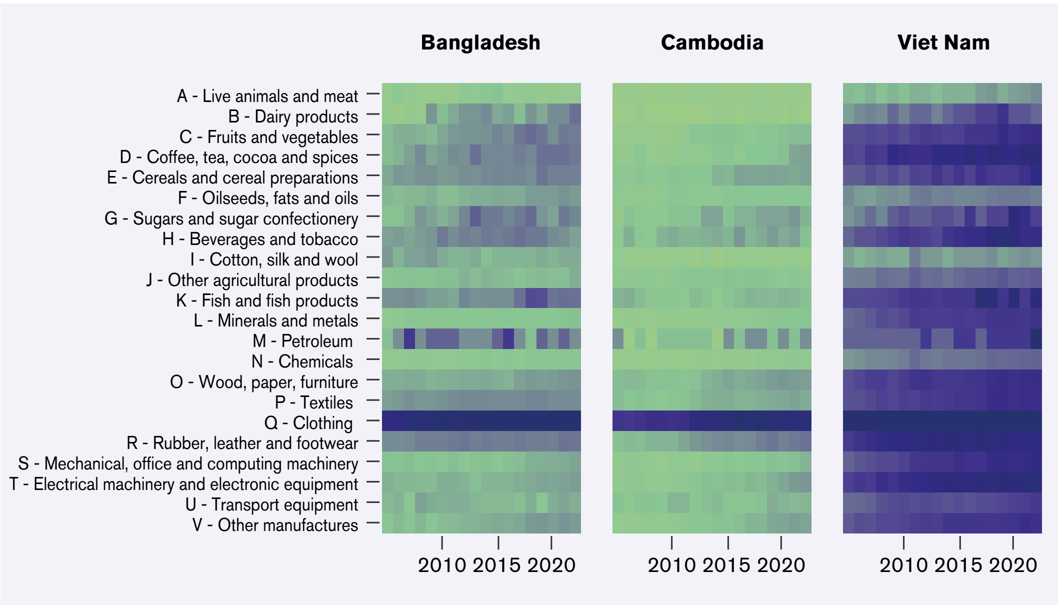
Viet Nam's agriculture sector is a strong export earner, with annual revenues exceeding US$ 1 billion over recent years. However, exports are concentrated on raw or semi-processed products. According to the Vietnam Chamber of Commerce and Industry (VCCI), this is due to the lack of advanced processing capacity, a deficit in preservation technologies and reduced awareness on the regulations and standards of importing markets.

Funded by the European Union and implemented by Oxfam in Viet Nam and the VCCI, the project aims to strengthen exports to the European Union by enhancing the competitiveness of small and medium-sized enterprises and increasing industry-wide capacities. Started in 2022, it aims to enhance the profitability and sustainability of smallholder vegetable farmers in this region, through improved engagement with high-value markets (domestic and export) and integrated resource management practices. The project will provide specific technical support packages designed for each enterprise in terms of quality and supply chain management, and market development to export to the European Union, so providing tangible benefits to the European Union–Viet Nam Free Trade Agreement.

* See https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=VN.

Source: OECD Creditor Reporting System and https://www.adb.org/news/adb-jica-support-20000-smallholder-farmers-163-million-inclusive-agribusiness-deal, https://www.agroberichtenbuitenland.nl/actueel/nieuws/2022/06/29/evfta-helps-push-up-vietnams-spice-fruit-vegetable-export-to-eu and https://sfv-agriexport.vn/en/about.

Figure 6 Export diversification within MTN groups, 2005-2022



Source: WTO Secretariat estimates based on importer data. Darker colours indicate more product types within that category were exported in the given year.

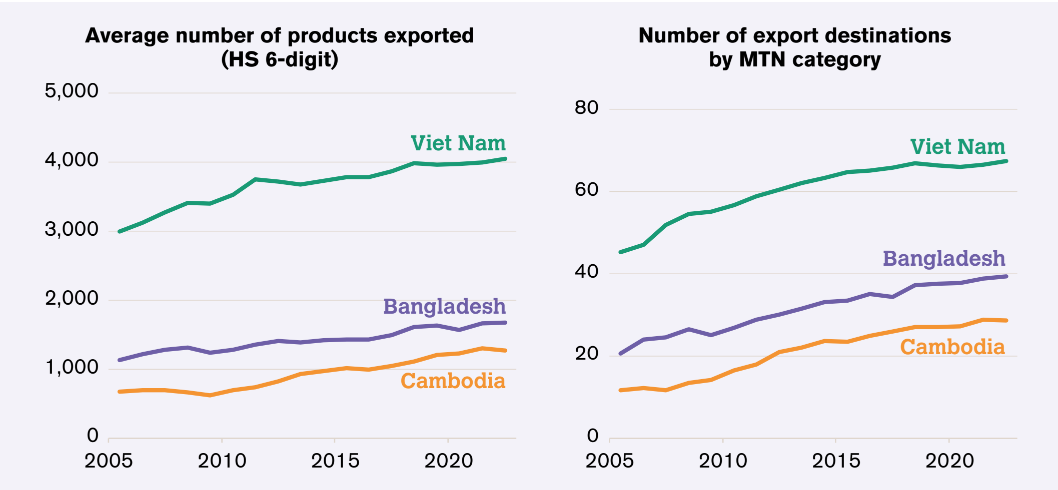
A closer examination of the diversification within product categories highlights that both Bangladesh and Cambodia have maintained their product diversification within the apparel sector, exporting a near-complete spectrum of HS 6-digit products in the category clothing. Cambodia also grew its export portfolio in the areas of rubber, leather, footwear, and electrical machinery and electronic equipment.

Focusing on individual countries highlights some success stories. Several economies, many of which are located in East Asia, saw their number of exported products increase (see Figure 7). Similarly, the number of export markets, measured as the average number of export markets across MTN product categories, also gives a positive picture.[7] All the economies considered in this chart increased their average number of destinations, showing that products tended to increase their global reach.[8]

The scope of export diversification across global economies shows considerable variation. In 2022, the number of products exported ranged from fewer than 50 to approximately 5,000, and the markets reached ranged from around 25 to almost 120, representing almost all destinations in the analysis (see Figure 8).[9] This range implies a significant variance in economic resilience; advanced economies, distinguished in the graph by darker hues corresponding to higher GDP, demonstrate robustness through their diversified export portfolios across a multitude of markets.

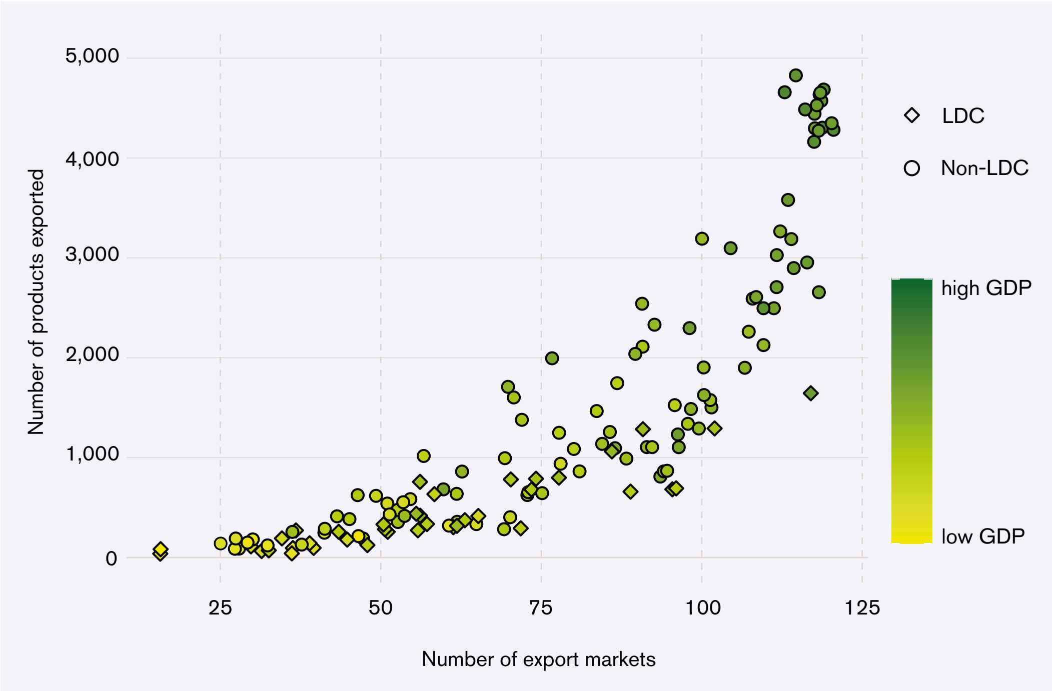
Glamour Boutique House and Training Center, in Jessore, Bangladesh.

Figure 7 Number of export products and export markets within MTN groups, 2005-2022



Note: European Union counted as one destination.
Source: WTO Secretariat estimates based on importer data.

Figure 8 **Range of export diversification regarding exported products and destinations, 2022**



Note: European Union counted as one destination. Colour grading is not uniform across the full range of GDP values. Data include developing as well as developed economies.

Source: WTO Secretariat estimates with World Bank data on GDP.

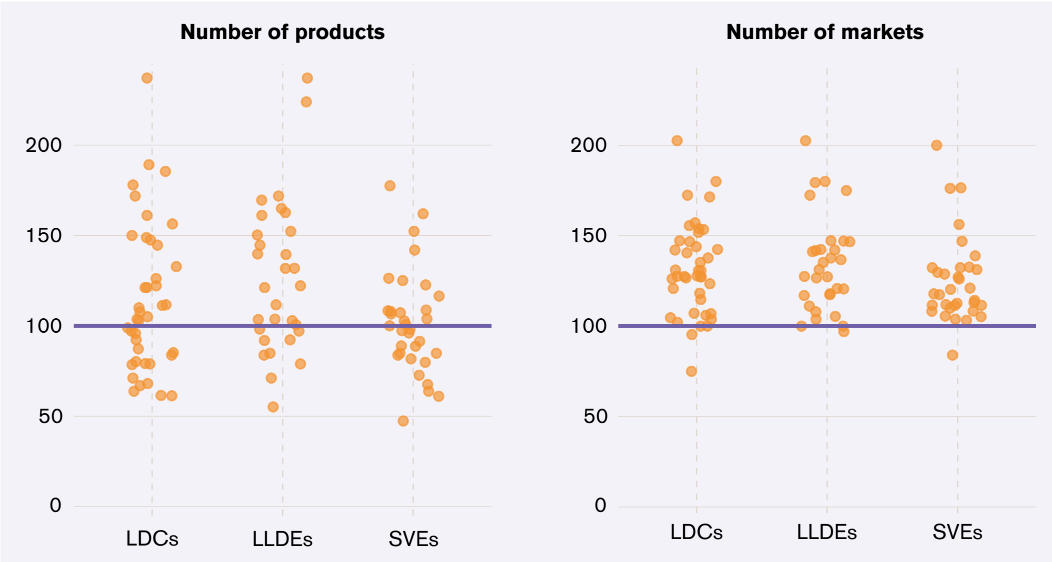
Conversely, those with lighter hues demonstrate limited export diversification.

Economies primarily reliant on a narrow selection of export goods are disproportionately susceptible to global demand shocks. This vulnerability can be compounded when an economy is also reliant on a narrow range of trading partners. Figure 8 highlights that economies with fewer export destinations tend also to have a less varied product range, exposing them both to global downturns and the policies of their trading partners. Diversification of exports, encompassing both products and destinations, is pivotal for bolstering economic resilience and economic development.

In aggregate, LDCs, LLDEs and SVEs have improved their export diversification potential – increasing both the number of products exported and the number of export markets reached (see Figure 9).

Figure 9 show that most LDCs and LLDEs were able to successfully expand the range of products exported by 2022 when compared to 2005. It highlights diffused progress, with a few high performers greatly expanding their export portfolio. Product diversification for SVEs appears more concentrated, with fewer success stories and more economies showing a downturn in product diversification performance. Progress is more positive with regard to the number of markets reached. Almost all economies in the three categories LDC, LLDEs and SVEs increased the number of destinations to which they exported between 2005 to 2022.

Figure 9 Number of exported products and export markets, 2005 vs 2022
(2005 = 100)



Note: Each dot represents one economy within each category. Some economies are in more than one group.
Source: WTO Secretariat estimates.

Aid for Trade effectiveness

Aid for Trade aligns with priorities

80%

of donors and partner countries agree

One critical factor that the Task Force recognized as key to success of the Aid for Trade Initiative is that financing is aligned with the trade and development objectives of recipients. This guiding principle of alignment is captured in the Task Force's recommendations[10] through reference to the OECD (2005) *Paris Declaration on Aid Effectiveness*. Key principles in the Paris Declaration include:

- country ownership;
- mutual accountability;
- aligning aid to national development strategies;
- effective donor coordination;
- harmonization of donor procedures;
- use of programme-based aid modalities;
- managing for results;
- transparency;
- predictable and multi-year commitments.

The 2024 M&E exercise attempts to capture whether the financing provided corresponds to the trade priorities and domestic strategies of recipients. As the Paris Declaration (and subsequent Busan Partnership for Effective Development Co-operation[11]) makes clear, ensuring that the financing matches the priorities enhances the efficiency of development assistance and ultimately leads to better and more effective outcomes for recipients. Responses to the questionnaire indicated that this is indeed the case: more than 80 per cent of donor and partner country respondents considered Aid for Trade support to be completely, mostly or moderately aligned with priorities (see Table 3).

Table 3 Aid for Trade effectiveness

Donors	Responses in questionnaire
Bilateral donors	
European Union	European Union fully subscribes to the development effectiveness principles, referenced in the Busan Partnership for Effective Development Co-operation, reaffirmed at the Nairobi High Level Forum in 2016 European Union strives to strengthen the effectiveness of development cooperation by: ▪ defining objectives based on partner countries' own development priorities ▪ supporting policy processes through which these priorities are formulated ▪ strengthening and building on partner countries' own systems to deliver on policy objectives and implement development programmes ▪ providing more EU support through coordinated aid modalities, such as budget support
United Kingdom	UK representation in most developing economies, with one of the largest overseas diplomatic networks Engages with trade ministries on all subject matters, including sustainable development Several trade-for-development policy advisors present across the world, such as in the Caribbean, Fiji, Ghana, Kenya, Pakistan All Aid for Trade projects undertaken in collaboration with partner countries and regional organizations All UK official development assistance is spent with the primary objective of poverty reduction
Intergovernmental organizations	
Asian Development Bank (ADB)	Aspirations aligned with major global commitments that both members and ADB have pledged to support, including: ▪ United Nations Sustainable Development Goals and related financing for development ▪ Paris Agreement on climate change ▪ Sendai Framework for Disaster Risk Reduction ADB continues to customize approach to meet needs of diverse client base Country Partnership Strategy will continue to be primary platform for defining ADB operational focus in a country
United Nations Industrial Development Organization (UNIDO)	Technical cooperation initiated upon request of partner countries, on the basis of priority needs Programmes developed in close consultation with relevant authorities and counterparts Mobilizing funding for the implementation of programmes done jointly and often the most challenging part Monitoring and evaluation mechanisms further serve to ensure close alignment with partner countries' priorities

Donors	Responses in questionnaire
South–South partners	
India	South–South development completely based on national ownership of the partner country, with no condition or priority attached by India in extended South–South cooperation Development projects in 78 countries that are demand-driven, transparent, empowerment oriented, environment friendly and rely on a consultative approach – all the while ensuring respect for sovereignty and territorial integrity Prime Minister Narendra Modi said in Mauritius in July 2020, "India's approach to development partnership is mainly human-centric. India had undertaken projects that were diverse – commerce to culture, energy to engineering, health to housing, IT to infrastructure and sports to science" No specific themes or sectoral objectives in South–South cooperation – instead, there is commonality between South–South cooperation and India's own development priorities

Source: Joint OECD–WTO M&E exercise.

Jamaica noted that trade facilitation support was aligned with national priorities. The Economic Community of West African States (ECOWAS) also stated that EU support to the African Continental Free Trade Area was well aligned with the implementation strategy.

Donors generally perceived a higher level of alignment than partner countries, with a slightly higher share of responses that Aid for Trade financing was "completely aligned". A small number of partner country respondents (6 per cent) considered Aid for Trade support to be "not at all aligned".[12]

Monitoring feedback also pinpoints areas where alignment has improved. Bhutan observed that Aid for Trade financing is increasingly attuned to its national development plans, owing to better cooperation among trade-related institutions on national trade and development objectives.

Pakistan suggested where improvements could be made. It observed that although most Aid for Trade support corresponded to its priority areas, areas relating to climate change mitigation measures should be improved. This is indicative of efforts by partners to expand the scope of Aid for Trade to cover new areas of trade and development interest.

An example of alignment in practice is ensuring coordination of monitoring frameworks between developing economies and their financing partners. Coordinating monitoring and results frameworks promotes buy-in, ensures accountability and enhances the contextual relevance of projects. Responses to the M&E exercise indicate that Aid for Trade stakeholders are working to align their monitoring frameworks. A total of 48 per cent of partner country respondents and 83 per cent of donors noted alignment between their respective monitoring and national frameworks. Box 5 highlights how the use of artificial intelligence can promote Aid for Trade effectiveness.

Several donors provided specific examples of how alignment is prioritized in development cooperation strategies. The United Nations Development Programme (UNDP) highlighted that ownership was promoted in its programmes by ensuring that processes are co-led by the government and other national or community partners. The United Kingdom noted that projects are evaluated following guidance set out in its Programme Operating Framework. In this context, alignment is often prioritized on a case-by-case basis as per the monitoring or results framework of partner countries.

Box 5 Using artificial intelligence to promote Aid for Trade effectiveness

Artificial intelligence (AI) can be used at all stages of the programming cycle. It promises to enhance alignment and management for results through the use of advanced data analytics. For instance, the United Nations Development Programme is using AIDA – Artificial Intelligence for Development Analytics – to enable users to browse through more than 6,000 evaluation reports via a simple interface.* The OECD is also working with the Agence Française de Développement to harness AI. Together, they have initiated projects such as the #Data4COVID19 Africa Challenge.**

The 2024 M&E exercise highlights that AI is also being used at a project level. Agencies such as TradeMark Africa have leveraged AI-driven IT systems to facilitate trade monitoring and streamline the flow of goods, thereby bolstering regional integration and economic growth.

Officials consulting a tablet computer inside Mombasa Port, Kenya.

Developing economies such as the United Arab Emirates are also taking a keen interest in digital technology for trade facilitation and Dubai Customs is enhancing trade facilitation and border controls with the help of AI.*** Canada also highlighted that it is partnering with Senegal on a project to "Catalyse Equitable Artificial Intelligence" through advanced technology.

A programme cited by the Inter-American Development Bank seeks to use AI to help grow Argentina's knowledge economy. It aims to bridge the gap between academia and industry, particularly in AI and other advanced technologies, and to promote the internationalization of companies. The programme anticipates upskilling 10,000 individuals and creating 35,000 new jobs. It targets a substantial increase in sector exports, envisioning an increase of US$ 4.28 billion while significantly enhancing the adoption of AI and Industry 4.0 innovations by 27 per cent among participating entities.

The International Trade Centre (ITC) is also using AI to empower businesses to tap into global markets and capitalize on emerging opportunities in the e-commerce area. The ITC Market Analysis Tools suite leverages AI to enhance market intelligence so enabling businesses to navigate global market dynamics with confidence.

Harnessing AI presents through advanced analytics and predictive capabilities promises to enable stakeholders to gain deeper insights into the impact of trade interventions, thereby guiding more strategic and targeted efforts. The digital divide is one constraint to leverage these technologies. This divide limits access to digital technologies and also affects the ability of developing economies to engage with and benefit from new technologies. In addition, the acquisition, processing and management of large amounts of data poses significant hurdles.

* See https://aida.undp.org/landing.
** See https://www.oecd-ilibrary.org/sites/4edb761e-en/index.html?itemId=/content/component/4edb761e-en.
*** See https://mag.wcoomd.org/magazine/wco-news-102-issue-3-2023/transforming-trade-how-dubai-customs-is-harnessing-ai-for-enhanced-trade-facilitation-and-border-control.

Monitoring Aid for Trade effectiveness

Currently measuring Aid for Trade effectiveness

57%

of partner countries agree

70%

of donors agree

Probiotic health drink manufacturing plant in Calamba, Philippines.

M&E frameworks help track the effectiveness of development finance flows. By systematically tracking progress, Aid for Trade stakeholders can help promote evidence-based decision-making and create a facilitatory learning environment that helps inform future programming. Most Aid for Trade donors and partner countries measure the impact of Aid for Trade support. In total, 57 per cent of partner country respondents and 70 per cent of donor respondents highlighted that they had procedures in place to measure the effectiveness of Aid for Trade financing.

Some developing economies and LDCs highlighted difficulties in accurately assessing the extent of monitoring effectiveness. Bangladesh noted that this was complicated in cases where donors assessed the effectiveness of financing in aggregate terms. Equatorial Guinea highlighted difficulties when multiple agencies were involved in the same programme in separate roles (e.g. as donor and implementation partners). Saint Kitts and Nevis indicated complexities when donors work with different ministries with independent remits, strategies and thematic objectives.

Responses to the M&E exercise indicate that Aid for Trade donors are integrating monitoring frameworks into their development strategies. In total, 67 per cent of donor respondents highlighted that their development cooperation strategies includes a monitoring framework. Five donors (Austria, European Union, Inter-American Development Bank, Netherlands) have established monitoring frameworks that directly assesses their Aid for Trade programming. One such example is the Operational System (OPSYS) platform highlighted by the European Union.[13]

Trade outcomes may not be the only metric used for Aid for Trade projects and programming. A wide range of other indicators and measures may be used alongside trade metrics to measure success.

New approaches to measuring the results of the Aid for Trade Initiative

By María del Pilar Garrido Gonzalo, Director for Development Co-operation, OECD

Aid for Trade is playing a supportive role in promoting export diversification efforts in developing economies and least-developed countries (LDCs). Aid for Trade helps address infrastructure constraints, promote policy reforms and support the performance of sectors with high trade potential. By facilitating countries to expand their export base and access new markets, Aid for Trade contributes to key development indicators such as economic growth, employment generation and poverty reduction.

The adoption of international commitments including the Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change, combined with the emergence of new challenges and financing needs, has created additional objectives and priorities for Aid for Trade donors and partners. The results of the monitoring and evaluation exercise point to a convergence of trade and sustainable development objectives: 97 per cent of partner countries foresaw future needs in the financing the trade-related aspects of the SDGs and anticipated a role for Aid for Trade across all SDGs.

Commitments made by the members of the OECD Development Assistance Committee (DAC) to mainstream sustainability in development cooperation are affecting finance flows. For example, the 2021 OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change includes commitments to work to identify alternative sustainable, low-emission, efficient, clean and renewable energy solutions to any current ODA fossil fuel support. These objectives have implications for Aid for Trade, as renewable energy solutions fall within the scope of the Initiative's economic infrastructure category.

The notion of mobilization, which is the ability of ODA (including Aid for Trade) to attract more private finance for development, is gaining prominence. In the context of scarcity and growing financing needs in investable sectors, Aid for Trade can leverage private capital and help bridge financing gaps in trade-related sectors. Between 2019 and 2022, however, only 13 per cent of private finance mobilized was in LDCs. Ensuring various objectives effectively complement each other is crucial to realize the ambitions of the Aid for Trade agenda for LDCs.

These evolutions raise new questions for measuring the impact of Aid for Trade. A recent review of monitoring frameworks used by the OECD DAC members suggests that some major donors are integrating a focus on the environmental and social impacts of Aid for Trade flows. innovative tools, including machine learning technology, open new possibilities to assess Aid for Trade impacts. Datasets developed in recent years such as the Total Official Support for Sustainable Development, or OECD data on private finance mobilized, contribute to continuous improvements in the measurement of Aid for Trade flows and impact.

Ensuring alignment with partner countries' priorities remains an objective enshrined in development effectiveness principles. Frameworks and processes developed in the context of the Global Partnership for Effective Development Co-operation could provide entry points to foster alignment in national monitoring frameworks while supporting partnership with business and stakeholders.

Challenges encountered in improving the impact and effectiveness of Aid for Trade

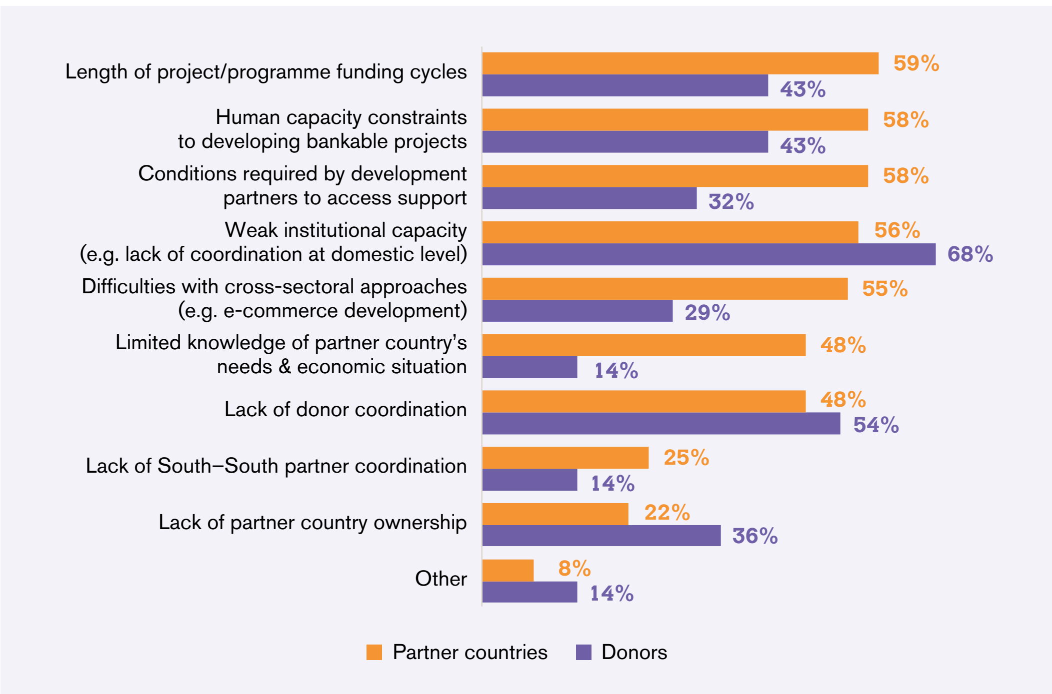
The responses from the M&E exercise have highlighted some areas to enhance collaboration and improve the effectiveness of Aid for Trade programmes. Figure 10 presents a comparative analysis of the challenges in ensuring Aid for Trade initiatives correspond to policy objectives, as perceived by partner countries and donors. The length of project and funding cycles emerges as a primary concern, with a significant number of both partners and donors indicating this as an issue. Partner countries particularly highlighted human capacity constraints in developing bankable projects.

The conditions required by development partners and weak institutional capacity are also marked as substantial hurdles by both groups, although donors perceive weak institutional capacity as a more pressing challenge than partners do. Difficulties associated with cross-sectoral approaches were acknowledged by a moderate percentage of respondents, underscoring the complexity of coordinating Aid for Trade efforts across different economic sectors.

A possible discrepancy arises in perceptions about the understanding of recipient needs and the coordination among donors and South–South partners. Another concern, more pronounced among donors, was the lack of partner country ownership.

Figure 10 highlights diverse viewpoints on the obstacles faced in optimizing the effectiveness of Aid for Trade. It highlights the need for improved collaboration, better understanding of on-the-ground needs, and enhanced ownership by recipient countries to align aid with desired policy outcomes.

Figure 10 Challenges encountered in aligning Aid for Trade with policy objectives



Source: Joint OECD–WTO M&E exercise.

The importance of harmonizing funding cycles to domestic objectives was specifically highlighted by Canada, who indicated that the length of programmes and projects could be better strategized to cover longer periods of time addressing servicing gaps and consistent domestic coverage. Australia underscored the importance of addressing human capacity constraints to help improve alignment. The scarce human resources available in the Pacific Region was highlighted as a particular example. It was noted that economies in the Pacific have limited capacity to engage on programmes, with officials often stretched thinly across many programmes and projects. Often capacity building is required before a programme or project can begin. Donor coordination remains an ongoing key challenge in this context.

ENDNOTES

1 *Recommendations of the Task Force on Aid for Trade,* WTO document WT/AFT/1, 27 July 2006.

2 See https://www.adb.org/sites/default/files/Evaluation%20Document/790821/files/ce-carec.pdf.

3 See https://www.stoainfraenergy.com/en/portfolio/blstransport-infrastructure-development-in-morocco.

4 WTO document WT/AFT/1.

5 The HS uses codes to define products. A code with a low number of digits defines broad categories of products; additional digits indicate subdivisions into more detailed definitions. Six-digit codes are the most detailed definitions that are used as standard.

6 Note that this only considers markets as destinations if transactions of commercial services were above US$ 1 million.

7 The 22 MTN categories are used here as product categories.

8 This does not necessarily mean that exporters reached new destination markets overall. For example, Bangladesh exported to more than 100 markets in 2022, but that was not evenly distributed among all product categories. Some products were only exported to a few dozen markets. Thus, the average in Figure 7 is smaller than the one shown in Figure 3.

9 In the HS 6-digit classification. The maximum is approximately 5,100 products. The maximum number of destinations in this analysis is smaller than the total number of countries and territories because: (i) importer data are used and not all importers report; and (ii) destinations count the European Union as one single market.

10 WTO document WT/AFT/1.

11 See https://www.oecd.org/dac/effectiveness/Busan%20partnership.pdf.

12 The respondents who noted that Aid for Trade was not at all aligned with domestic priorities were: Burundi, Mali, Niue and the Seychelles. Mali noted that their response was a personal opinion. None of the respondents provided further information.

13 For further information, see https://capacity4dev.europa.eu/groups/opsys_en.

Abbreviations

ADB	Asian Development Bank
AfCFTA Agreement	Agreement Establishing the African Continental Free Trade Area
AfDB	African Development Bank
AI	artificial intelligence
CAREC Program	Central Asia Regional Economic Cooperation Program
CRS	Creditor Reporting System
DSTRI	Digital Services Trade Restrictiveness Index
ECOWAS	Economic Community of West African States
HS	Harmonized System
ICT	information and communications technologies
LDC	least-developed country
LLDE	landlocked developing economy
M&E	monitoring and evaluation
MSME	micro, small and medium-sized enterprise
MTN	Multilateral Trade Negotiations
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDG	United Nations Sustainable Development Goal
SME	small and medium-sized enterprise
SVE	small, vulnerable economy
TFA	Agreement on Trade Facilitation
TOSSD	Total Official Support for Sustainable Development
UNDP	United Nations Development Programme

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

This publication draws on the responses provided by participants to the questionnaire of the 2024 joint OECD–WTO Aid for Trade monitoring and evaluation (M&E) exercise, which underpins the 2024 Global Review of Aid for Trade. It presents an analysis of the M&E questionnaire responses and provides information on Aid for Trade financing flows up to the year 2022. Drawing on the responses to the survey, it describes priority areas for the Aid for Trade Initiative for 2024 and the coming years.