



**Committee on Trade and Development  
Aid for Trade**

**SIXTH GLOBAL REVIEW  
AID-FOR-TRADE MONITORING EXERCISE  
"PROMOTING CONNECTIVITY"**

BACKGROUND NOTE BY THE OECD AND WTO SECRETARIATS<sup>1</sup>

**1 INTRODUCTION**

1.1. The aim of this background note is to outline the monitoring and evaluation (M&E) exercise that will underpin the 6<sup>th</sup> Global Review of Aid for Trade. The theme of the 2016-2017 Aid-for-Trade Work Programme and the 6<sup>th</sup> Global Review of Aid for Trade is: "Promoting Connectivity". The next M&E exercise will explore this theme in detail.

**2 OVERVIEW**

2.1. The 2016-2017 Aid-for-Trade Work Programme (WT/COMTD/AFT/W/60) is built around, and will lead to, the 6<sup>th</sup> Global Review of Aid for Trade. Past Global Reviews have been informed by a joint OECD-WTO monitoring and evaluation (M&E) exercise that has surveyed Aid-for-Trade implementation by partner countries, bilateral and multilateral donors, South-South partners and regional economic communities. Efforts have been made to reach out to the private sector and to engage a broad range of stakeholders in the M&E exercise. Information collected by the M&E exercise have been analysed and reported at past Global Reviews in a joint OECD-WTO publication: "Aid for Trade at a Glance". The 6<sup>th</sup> Global Review of Aid for Trade, to be held in mid-2017, will follow the same approach, using the M&E exercise to inform discussion at the Global Review meeting, and as the basis for a further edition of the "Aid for Trade at a Glance" publication.

2.2. A strong message that emerged from the 5<sup>th</sup> Global Review is that many developing countries, particularly least developed countries (LDCs), continue to face difficulties in connecting to the global trading system as a result of high trade costs. Prohibitively high trade costs continue to act as a brake on economic development with, in particular, landlocked and small economies (notably geographically remote island economies) facing inherent challenges in this regard. Research suggests that trade costs fall disproportionately heavily on micro, small, and medium enterprises (MSMEs). By focusing on "Promoting Connectivity", the M&E exercise for the 6<sup>th</sup> Global Review will deepen analysis of the supply-side capacity and trade-related infrastructure constraints faced by developing countries from a trade costs' perspective.

**3 MONITORING AND EVALUATION SURVEY THEMES**

3.1. The M&E exercise will focus on four main themes: Aid-for-Trade priorities and how these have changed since the last monitoring exercise; Trade Facilitation Agreement implementation; e-commerce; and infrastructure investment and the development of related services markets. One cross-cutting theme that will be examined is how Aid-for-Trade support is contributing to the achievement of the Sustainable Development Goals, notably the targets on poverty eradication and women's economic empowerment.

<sup>1</sup> This document has been prepared under both Secretariats' own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

3.2. The first topic to be surveyed is how and why Aid-for-Trade priorities have changed since 2014. It will explore factors driving these changes (such as the 2030 Sustainable Development Agenda, industrialization, and regional trade integration objectives), and how changes are being mainstreamed into national and regional development planning frameworks and policies. On the donor side, the exercise will assess changes in donor programming such as with regard to priority partners and themes, and changes in approach, e.g. the increasing focus on private sector development, and attention to poverty alleviation and gender empowerment objectives in programming. Aid-for-Trade flows will be analysed with a view to understanding current trends and future projections.

3.3. The second topic to be surveyed is implementation of the Trade Facilitation Agreement (TFA). By mid-June 2016, instruments of acceptance had been received from more than 80 WTO Members, and a higher number of Category A notifications had been received. However, the pace of notification of Category B and C measures has so far been slower than that for Category A measures. Category C measures indicate where Aid-for-Trade support is required to support TFA implementation. A strong message from the 2015 Aid for Trade at a Glance report and from the 2015 World Trade Report is that TFA implementation is a concrete step that can be taken to reduce trade costs.<sup>2</sup> OECD figures show that more than US\$1.3 billion was disbursed in support reported to the OECD's Creditor Reporting System as trade facilitation in the period 2010-2015.

3.4. The M&E exercise for the 6<sup>th</sup> Global Review will review the status of TFA implementation, explore the demand and response to requests for TFA implementation support and survey where difficulties may be arising. The case story exercise seeks to build on the evidence of impacts of trade facilitation support projects and will explore new approaches being tested by developing countries and their development partners, such as those engaging the private sector.

3.5. E-commerce is another theme that will be explored in the M&E questionnaires. E-commerce offers opportunities for trade connectivity but also creates new and specific challenges. Research presented at the 5<sup>th</sup> Global Review of Aid for Trade highlighted the trade development potential of e-commerce, in particular for MSMEs. E-commerce allows MSMEs to enter export markets without the need to grow large or to reach a certain productivity level. Barriers to trading across distance are up to 94% lower for developing countries via electronic market places, as compared to traditional markets.<sup>3</sup> The efficient functioning of e-commerce requires appropriate Information and Communications Technology (ICT) infrastructure and regulatory frameworks to protect and build trust for both buyers and sellers. Furthermore, e-commerce based parcel trade may create specific clearance and handling challenges for border authorities. The M&E exercise will explore issues relating to the development of e-commerce, notably from the perspective of the physical and regulatory factors that may limit developing country participation. It will also seek to identify actions that development partners are engaged in, and could take, to address these obstacles. Actions taken to close the "digital divide" will also be surveyed. For example, high-speed internet connection is an essential e-commerce enabler – yet broadband internet penetration lags other forms of internet connectivity. Against this background, the M&E exercise will examine actions that the donor community is taking to address connectivity constraints in developing countries.

3.6. Infrastructure connectivity is the final topic that will be surveyed in the monitoring formats. Actions to bridge the "digital divide" highlight the need for investment in network ICT infrastructure and are a window onto broader constraints faced by developing countries with regard to trade-related infrastructure: such as road, rail, maritime, inland waterways, and air transport, and energy generation. The global infrastructure financing gap for basic infrastructure in developing countries to meet the Sustainable Development Goals has been estimated at US\$2.5 trillion annually.<sup>4</sup> The approach taken in the M&E formats will be one that examines measures taken to bridge the infrastructure financing deficit and to promote growth in related service markets.

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<sup>2</sup> OECD/WTO, 2015, "Aid for Trade at a Glance: Reducing Trade Costs for Inclusive, Sustainable Growth", and WTO, 2015, "Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement".

<sup>3</sup> WTO Secretariat, 2015, "Fifth Global Review of Aid for Trade: Reducing Trade Costs for Inclusive Sustainable Growth – Summary Report", pp. 62–64.

<sup>4</sup> UNCTAD, 2014, "World Investment Report - Investing in the SDGs: An Action Plan", p. 140.

3.7. Infrastructure investment can unlock growth in related service markets, such as, *inter alia*, logistics, insurance services, financial services and other business services – operations that are also essential for e-commerce. Research undertaken on global value chains has highlighted the role that services play in supporting productive capacity and moving up the value chain. The M&E exercise would review support for the development of capacity in services supply. Another element to questions here would be to look at approaches based on blended finance (concessional and non-concessional funding; public and private financing) and efforts to support improved investment climates. Questions in this section would build on the issues covered during the 2015 Aid-for-Trade Workshop on "Aid for Trade and Infrastructure".<sup>5</sup> The questionnaires would seek to identify the main constraints to the growth of services markets as identified in national and regional development planning frameworks and support provided by development partners to improve capacity in services supply.

3.8. A cross-cutting theme that will be examined through the M&E exercise is how the outcomes and impacts of Aid-for-Trade support are contributing to the achievement of the Sustainable Development Goals, notably the targets on poverty eradication and women's economic empowerment.

#### **4 APPROACH**

4.1. This M&E exercise is a self-assessment exercise. Respondents are invited to complete questionnaires and to submit case stories. The case story exercise is an opportunity to examine in more detail where impacts have been achieved, notably from the perspective of trade performance, but also poverty reduction, gender empowerment, and other associated results. The M&E exercise will also include an update to the country profiles.<sup>6</sup>

#### **5 WHO WILL BE SURVEYED?**

5.1. Questionnaires and the call for case stories will be disseminated using an electronic survey tool and completed on-line. Case stories will be invited in both text and (for the first time) video form.

5.2. The self-assessment questionnaires will be distributed to the following recipients:

- Partner countries;
- Donors (Bilateral, Regional and Multilateral);
- South-South partners; and
- Regional economic communities and transport corridors.

5.3. The case story exercise will be circulated to the recipients listed above. It will also be disseminated to the private sector, civil society, and academia. Submissions of case stories may be made in text or video submissions, with vlogs particularly encouraged.

5.4. Outreach efforts will be undertaken with all stakeholders to publicize the exercise and to assist Members in responding.

5.5. The deadline for the submission of completed monitoring formats is 31 October 2016.

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<sup>5</sup> WTO Secretariat Background Note, 2015, "Aid for Trade and Infrastructure: Financing the Gap" WT/COMTD/AFT/W/56.

<sup>6</sup> OECD/WTO, 2015, "Aid for Trade at a Glance: Reducing Trade Costs for Inclusive, Sustainable Growth" pp. 283–413.

## **6 HOW WILL THE INFORMATION COLLECTED BE USED?**

6.1. All information collected through the monitoring and evaluation exercise will be made publicly available through the website <http://www.aid4trade.org>. Information collected will be examined and an analysis of it published in a joint OECD-WTO publication "Aid for Trade at a Glance 2017". Efforts will also be made to synthesize the information to produce regional analyses and other views.

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