



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

AID-FOR-TRADE WORK PROGRAMME¹

2016-2017

"PROMOTING CONNECTIVITY"

1 OVERVIEW

1.1. At the 10th Ministerial Conference (MC10) held in Nairobi, Kenya on 15-18 December 2015, Ministers agreed the following text on Aid for Trade as part of the Ministerial Declaration:

"We recognize the importance of the Aid for Trade initiative in supporting developing country Members to build supply-side capacity and trade-related infrastructure and we shall accord priority to the LDCs' needs. We take note of the outcomes of the WTO global reviews on Aid for Trade, in particular the Fifth Global Review, and recognize the continuing need for this initiative". WT/MIN(15)/DEC

1.2. The Aid-for-Trade Work Programme for 2016-2017 will contribute to the aims set out in the MC10 text through a focus on "Promoting Connectivity" by reducing trade costs. A strong message emerging from the 2014-2015 biennial Aid-for-Trade Work Programme is that many developing countries, and in particular least developed countries (LDCs), continue to face difficulties in connecting to the global trading system as a result of high trade costs. By focusing on "promoting connectivity", the 2016-2017 Work Programme will seek to further deepen analysis of the supply-side capacity and trade-related infrastructure constraints faced by developing countries, with an increased focus on services trade and upgrading infrastructure. Through these actions, the 2016-2017 Work Programme will contribute to coherence.

1.3. A document reviewing the Aid-for-Trade Initiative's achievements will be prepared and presented at one of the CTD dedicated sessions on Aid-for-Trade, the discussions on which will then be reported to the General Council. Gender will be considered as a cross-cutting theme within the new Work Programme, including in the Aid-for-Trade review document.

1.4. The centrepiece of the Work Programme will continue to be the biennial Global Review of Aid for Trade. The theme of the 6th Review will be "Promoting Connectivity" by reducing trade costs. As per previous practice, the Global Review will be based on a monitoring and evaluation (M&E) exercise conceived around the central theme of promoting connectivity, and with a particular emphasis on the services perspective and infrastructure constraints, together with their regional dimension. In addition to formal meetings, a series of thematic workshops are also planned under the auspices of the Committee on Trade and Development (CTD). Taken together and individually, these activities will continue to support implementation of the 2030 Agenda for Sustainable Development² and relevant Programmes of Action³.

¹ This Work Programme is issued under the responsibility of the Chair of the Committee on Trade and Development.

² A workshop on the "Sustainable Development Goals, Addis Ababa Action Agenda and the Aid-for-Trade Initiative" was held on 29 October 2015. A report of the workshop can be found in WT/COMTD/AFT/M/35.

³ Including, *inter alia*, the Vienna Programme of Action for Landlocked Developing Countries (<http://unohrlls.org/about-ldcs/programme-of-action/>), the Samoa Pathway (<http://www.sids2014.org/samoapathway>) and the Istanbul Programme of Action (<http://unohrlls.org/about-ldcs/istanbul-programme-of-action/>)

2 REVIEW OF AID-FOR-TRADE ACHIEVEMENTS

2.1. The Hong Kong Ministerial Declaration of December 2005 states that: "Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade". Ministers at MC6 invited the Director-General to constitute a Task Force to draw up recommendations on how to operationalize Aid for Trade. The Task Force reported in July 2006.⁴

2.2. One of the Task Force recommendations was that a "global periodic review of Aid for Trade should be convened". Five global reviews have been held since 2007. Each one has been informed by the results of a joint Organisation for Economic Co-operation and Development (OECD) and WTO monitoring and evaluation exercise – an exercise that now also brings in other collaborating partners. Regional reviews supplemented by analysis and reports submitted by Regional Development Banks and United Nations regional economic commissions have complemented the analysis undertaken at multilateral level. Significant outreach activities have been undertaken with the World Bank Group and other international financial institutions, the United Nations and its specialized agencies and regional economic commissions, the private sector, non-governmental organizations and academia. This outreach has resulted in a substantial body of research.

2.3. Against this background, it is an opportune moment to reflect on what the Aid-for-Trade Initiative has achieved. A review document will be drafted and presented to the CTD Aid for Trade, and the discussions on which will then be reported to the General Council. It will also be fed into the G-20 deliberations as part of the ongoing monitoring of the G-20's commitment on Aid for Trade. The review document will be prepared jointly with the OECD – WTO's core partner in the monitoring and evaluation of the Aid-for-Trade Initiative.

3 WORK PROGRAMME - AREAS OF FOCUS

3.1. The theme for the 2016-2017 Work Programme, "**Promoting Connectivity**", seeks to continue and build on insights emerging from the 2014-2015 Work Programme that had as its main topic: "Reducing Trade Costs for Inclusive, Sustainable Growth". One key message that emanated from the last Work Programme was that high trade costs inhibit many developing countries from fully exploiting their trade and development potential. Prohibitively high trade costs continue to act as a brake on economic development with, in particular, landlocked (notably landlocked, least developed countries) and small and vulnerable economies (notably geographically remote island economies) facing inherent challenges in this regard. Trade costs also remain stubbornly high in some critical sectors where growth is associated with strong poverty reduction effects, most prominently in the agriculture sector.⁵ Evidence also suggests trade costs fall disproportionately heavily on micro, small- and medium-sized enterprises (MSMEs). Trade Facilitation Agreement implementation and infrastructure upgrading were among the actions identified that would reduce trade costs.

3.2. Follow-up work on trade costs will be undertaken during the Work Programme period to further elaborate on the insights collected by past work programmes. One action here will be to hold a CTD workshop to discuss establishing a "trade costs baseline" using existing indices, against which to track and report on future progress.⁶ The workshop will further examine the design and implementation of policies to reduce trade costs, including in the context of promoting regional value chains, regional economic integration and implementation of relevant Programmes of Action⁷.

3.3. A CTD workshop on Aid for Trade and Services had highlighted the importance of services for economic development – and the relative neglect of services in the research on trade and

⁴ Recommendations of the Task Force on Aid for Trade, WT/AFT/1, 27 July 2006.

⁵ The work of the Standards and Trade Development Facility is relevant in this regard.

⁶ To access Aid-for-Trade country profiles, go to: <http://stat.wto.org>

⁷ Including, *inter alia*, the Vienna Programme of Action for Landlocked Developing Countries (<http://unohrlls.org/about-ldcs/programme-of-action/>), the Samoa Pathway (<http://www.sids2014.org/samoapathway>) and the Istanbul Programme of Action (<http://unohrlls.org/about-ldcs/istanbul-programme-of-action/>)

economic development.⁸ This research gap is particularly marked in the area of trade costs as they relate to services' trade and e-commerce.⁹ This omission is conspicuous when considered in the context of the various technical assistance initiatives announced by WTO Members to improve LDC services' export capacity. Research in the area of services' trade costs is timely for the further programming of support both to LDCs and for Aid-for-Trade support for services' sector trade development more generally given the importance of services (including of small and vulnerable economies) for economic development.

3.4. Research prepared for the 5th Global Review by the Asian Development Bank highlights how e-commerce is being leveraged by MSMEs as a means to overcome high transport costs and with positive impacts on women's economic empowerment – in this case associated with the geographic remoteness of many Pacific islands.¹⁰ A message that also emerged strongly from plenary sessions at the 5th Global Review of Aid for Trade is that progress on so-called soft infrastructure (e.g. border procedures) often unmask deficiencies in other areas (e.g. under-capacity in transport infrastructure and related services). Another theme to be elaborated in this regard is the nexus between Trade Facilitation Agreement implementation (identified at the 5th Global Review as a tangible step in reducing trade costs) and the operation of efficient backbone infrastructure services, and how the latter can act as a multiplier for the economic welfare gains associated with TFA implementation.¹¹

3.5. At the 5th Global Review of Aid for Trade, the WTO and World Bank Group launched a publication entitled: "The Role of Trade in Ending Poverty".¹² One conclusion emerging from the report was that the Aid-for-Trade Initiative had helped mobilize significant additional resources for trade-related assistance, but that more could be done to monitor the impacts of trade integration on poverty reduction. Important also to note in this regard is the gender dimension to the burden of extreme poverty world-wide. Gender is a cross-cutting theme within the new Work Programme, and one that will be explored in particular in the context of monitoring the impacts of trade integration on poverty reduction. Building on existing work, a joint conference will be organized with the World Bank Group to further deepen analysis of the intersection between the four characteristics of poverty (rural poverty, informality, gender, fragility) and how trade can help alleviate these constraints – and conclusions for Aid-for-Trade support.

3.6. A significant amount of research material has been collected on Aid-for-Trade support to MSMEs. On 9 October 2014, a joint ITC-WTO workshop on Aid for Trade and SME competitiveness was held and a background paper prepared.¹³ In addition, a series of case stories and other research has been received. This information will be fed into the research agenda of the WTO's Economic Research and Statistics Division in 2016. Under the private sector agenda item at regular formal meetings of Aid-for-Trade sessions of the Committee on Trade and Development, Members and Observers will be invited to update on their actions in support of MSMEs, including by highlighting the gender dimension of these actions.

3.7. Actions to support Members in implementation of the Trade Facilitation Agreement will continue. Ongoing collaboration with the Trade Facilitation Agreement Facility (TFAF) will also be pursued, with a view to having a coordinated approach among the various actors. Activities performed through the TFAF require detailed information on aid for trade facilitation support being undertaken at national and regional levels, as well as by international organizations. Information harvested through the M&E exercise (notably on trade facilitation funding flows) is relevant in this

⁸ Workshop on Aid for Trade and Services, 11 July 2012. More information on the session at: https://www.wto.org/english/tratop_e/devel_e/a4t_e/wkshop_july12_e/wkshop_july12_e.htm and the Background note prepared by the Secretariat WT/COMTD/AFT/W/34.

⁹ An issue which the ongoing collaboration between the World Bank Group and WTO on the i-TIP Services database seeks to address: <http://i-tip.wto.org/services/default.aspx>.

¹⁰ Aid for Trade in Asia and the Pacific: Thinking Forward About Trade Costs and the Digital Economy. Available at: <http://www.adb.org/publications/aid-trade-asia-and-pacific-thinking-forward-about-trade-costs-and-digital-economy>.

¹¹ The economic welfare gains from TFA implementation are described in detail the WTO's 2015 World Trade Report: "Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement" (https://www.wto.org/English/res_e/publications_e/wtr15_e.htm).

¹² "The Role of Trade in Ending Poverty", World Bank Group and WTO. Available at: https://www.wto.org/english/thewto_e/coher_e/trade_end_poverty_prog15_e.htm.

¹³ WT/COMTD/AFT/W/53.

regard. Information on the evolution of trade costs is also germane in the context of discerning the impact of aid for trade facilitation.

4 WORK PROGRAMME ACTIVITIES

4.1. The centrepiece of the 2016-2017 Work Programme will be the 6th Global Review of Aid for Trade: "Promoting Connectivity". Following the biennial scheduling of past Reviews, the 6th Global Review would be scheduled in mid-2017. Results of the Global Review would then be transmitted to the Aid-for-Trade session of the CTD, reported to the General Council and onwards to the WTO Ministerial Conference.

4.2. As per past practice, the 6th Global Review would be underpinned by a monitoring and evaluation exercise, surveying trade mainstreaming by developing countries, regional economic communities and their development partners, undertaken jointly with the OECD and including other collaborating partners. Efforts will be made to engage a broad range of partners in the M&E exercise, notably as regards engagement with the private sector, specifically SMEs in developing countries, and in particular LDCs. In addition, a reflection of what the Aid-for-Trade Initiative has achieved will be undertaken. These types of exercises increase transparency and incentives for donors and recipients of Aid for Trade.

4.3. Monitoring and evaluation also provides the analytical foundation for advocacy and outreach functions; functions that are exercised through the WTO's coherence mandate with the International Monetary Fund and World Bank Group and outreach activities with a diverse range of other Aid-for-Trade stakeholders, including, but not limited to, multilateral development banks, regional economic commissions, the United Nations and specialized agencies, intergovernmental organizations (such as the World Customs Organization), the private sector, academia, and civil society. Of note in this regard has been the inclusion of monitoring results in reporting to the G-20 (on issues related to connecting to global value chains) and in the WTO's World Trade Report (the 2015 edition of the World Trade Report included analysis of monitoring questionnaires discussing trade facilitation implementation).

4.4. Outreach and advocacy efforts will continue to promote mainstreaming trade by developing countries and their development partners, implementation of national and regional Aid-for-Trade strategies, and for the mobilization of additional, predictable, sustainable and effective Aid-for-Trade resources. Advocacy on resource mobilization should reflect the views of developing countries with regard to their development and financing needs, in particular those of LDCs notably with regard to infrastructure financing.¹⁴ The Enhanced Integrated Framework (EIF) for LDCs is germane in this context. Outreach efforts will also continue towards South-South partners, notably during the Chinese Presidency of the G-20, to discuss South-South and triangular trade and investment activities, in particular with LDCs. Outreach and advocacy activities will be reviewed as part of the reflection on what the Aid-for-Trade Initiative has achieved.

4.5. A series of formal Aid-for-Trade sessions of the Committee on Trade and Development will be scheduled by the CTD Chairperson. These meetings will provide a forum to discuss Aid-for-Trade issues, including suggestions made during the elaboration of this work programme and other Aid-for-Trade issues of interest to Members.¹⁵ Following established practice, the meetings will be organized around the following headings: resource mobilization and implementation activities; mainstreaming; regional dimension; private sector; and monitoring and evaluation of development effectiveness. Members are particularly encouraged to use their Trade Policy Reviews and the results of EIF Diagnostic Trade Integration Studies and related approaches in non-LDCs, as the basis for discussion of mainstreaming activities.

¹⁴ Members' views are set out in Session 18: Closing Plenary Session of the 5th Global Review of Aid for Trade, WT/COMTD/AFT/W/58, and in particular paragraphs 2-5 thereof of the LDC Group.

¹⁵ Committee on Trade and Development, Note of the 36th Session on Aid for Trade, WT/COMTD/AFT/M/36.

4.6. An accompanying series of thematic workshops and a conference will also be organized back-to-back with the formal CTD Aid-for-Trade sessions. Topics proposed are as follows: Trade and Poverty – Designing and Measuring Policies and Interventions (joint conference with the World Bank Group); Promoting Connectivity – Exploring the Services Dimension (CTD workshop); Aid for Trade, Trade Costs Indices and Design and Implementation of Policies to Reduce Trade Costs (CTD workshop); and Results of the 2016-2017 Monitoring and Evaluation Exercise (CTD workshop). In addition, the review document will be presented at one of the CTD dedicated sessions on Aid-for-Trade, the discussions on which will then be reported to the General Council.
