Farmers in Burkina Faso check shea butter for quality before sending to markets.

7

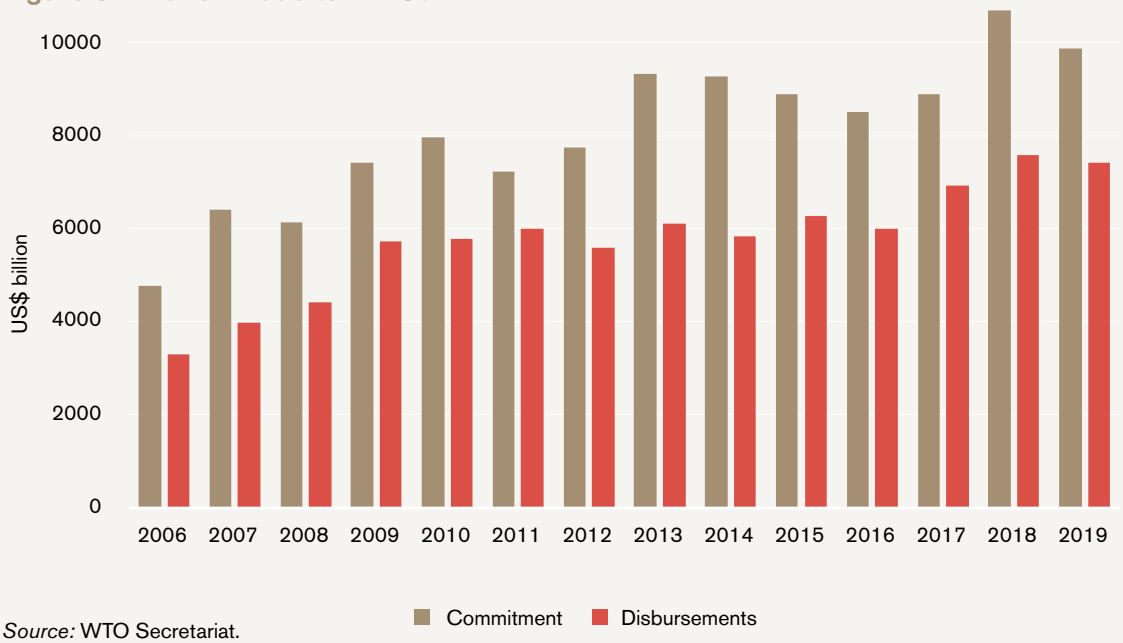
Building trade capacity in landlocked developing countries

Aid for Trade

Aid for Trade is about helping developing countries and LDCs in particular to build the trade capacity and infrastructure they need to benefit from opening up to trade. Grants and concessional loans are targeted at a broad range of trade-related programmes and projects, including: technical assistance; infrastructure; increasing productive capacity; and adjustment assistance (see Figure 31). The WTO-led Aid for Trade initiative is enshrined as a priority in the Vienna Programme of Action (VPoA). Aid for Trade helps LLDCs to build the infrastructure necessary to complement efforts made on trade facilitation. Building supply-side capacity and trade-related infrastructure is particularly important for LLDCs and is necessary to support trade expansion and market opening. Together, these elements constitute a tried-and-tested recipe for increased growth, economic opportunities, development, poverty reduction and job creation.

With an emphasis on showing results, activities under the Aid for Trade initiative are conducted under a biennial work programme to promote deeper coherence among the partners and an on-going focus on Aid for Trade among the trade and development community. The Programme for 2020-2022 seeks to understand and operationalize on the opportunities that digital connectivity and sustainability offer for economic and export diversification under the theme "Empowering Connected, Sustainable Trade". The work programme has been extended by WTO members to cover 2022 and to include an assessment of the trade and economic impacts of COVID-19.

Figure 31: Aid for Trade to LLDCs



Source: WTO Secretariat.

Figure 32. Aid for Trade disbursements

US$ 81 billion

Since 2006,
LLDCs have received US$ 85 billion
in Aid for Trade disbursements

2019

US$ 7.6 billion

LLDCs received US$ 7.7 billion in 2019,

225%
increase since 2006

17%

Share of Aid for Trade going to LLDCs =
17% of global disbursements and has been stable since 2017.

Aid for Trade flows for LLDCs in 2019:

30.8%
to energy infrastructure

27.6%
to agriculture

20.1%
to transport and
storage infrastructure

21.5%
to remaining
categories

In trade policy,
trade facilitation is the most important, accounting for

US$ 80 million
of overall Aid for Trade flows to LLDCs

The COVID-19 pandemic has been a powerful reminder of the importance for trade to flow. More than ever before, the world relies on the effective production and distribution of vaccines, medical equipment and other essential goods. The pandemic continues to exact a severe toll on the health and wealth of countries. Although major Aid for Trade donors have stepped up their response, they too have seen their budgets become more stretched than ever. Hence, it is ever more important to make sure that available funds are put to the most effective use.

Vienna Programme of Action

The United Nations has coordinated the development and implementation of programmes of action to address the unique challenges LLDCs face and in turn to contribute to the eradication of poverty in LLDCs. Of the six priority areas of the VPoA1[1] (2014-2024), Priority 3 is international trade and trade facilitation. The VPoA flows from the Almaty Programme of Action (2003-2013), which aimed to develop partnerships to overcome specific problems LLDCs face

Aid for Trade Stocktaking Event 2021

AID FOR TRADE
Stocktaking Event
23-25 March 2021

In March, the WTO held the Aid for Trade Stocktaking Event 2021, at which the trade and development community surveyed the trade impacts of the COVID-19 pandemic and made the case for the mobilization of Aid for Trade financing to support recovery and to foster resilience. The event included sessions organized by WTO members, international financial organizations, including multilateral development banks, regional economic communities and other trade support facilities, and international organizations (non-governmental and many of them under the United Nations umbrella).

Session 7, *Impact of COVID-19 on Landlocked Developing Countries and Implications for Resilient Recovery*, was co-organized by Kazakhstan and UN-OHRLLS. Speakers from across the WTO, UNCTAD and the OECD, among others, discussed the impact of the COVID-19 pandemic on LLDCs and identified the challenges LLDCs had been facing in 2020-2021.

Cross-border restrictions enacted by transit countries and ineffective trade facilitation had resulted in pronounced challenges for LLDCs, such as trade bottlenecks. Recommendations towards resilient recovery for LLDCs included enhancing connectivity through digitization of border management measures, enhanced implementation of the TFA, and targeted Aid for Trade support for LLDCs.

resulting from their remoteness and isolation from world markets. There has been much progress in the implementation of the VPoA since its adoption – until the COVID-19 pandemic hit in 2020, halting and even reversing progress in all six priority areas. According to the United Nations Secretary General's report[2] on the implementation of the VPoA, real GDP growth declined from 4.3 per cent in 2019 to -2.4 per cent in 2020 in LLDCs; and foreign direct investment shrunk by a whopping 31 per cent to US$ 15 billion in 2020 in LLDCs – the lowest level since 2007. Tourism is a significant export for LLDCs and represents more than 10 per cent of total exports for 13 LLDCs – but it came to a grinding halt during the pandemic. COVID-19 has devastated economies: the number of people in LLDCs living below the poverty line is expected to increase, with as many as 124 million people being pushed into poverty in 2020.

Prior to the pandemic, UN-OHRLLS, ESCAP and UNECE conducted a mid-term review of the implementation of the VPoA across regions.[3] In Asia and Europe, LLDCs reported significant progress in enhancing transport connectivity and building resilient transport infrastructure, even as challenges remain. LLDCs adopted several facilitation mechanisms, such as cross-border paperless trade facilitation and single window systems, to promote cross border rail and road connectivity. Major investments were made in developing road, rail, in-land waterways, dry ports and aviation infrastructure. However, constraints remain in the areas of operational and regulatory requirements that adversely impact the efficiency of the corridors. The review highlighted slow progress in expanding participation in international trade and achieving trade diversification for LLDCs in Asia and Europe while also mentioning that intra-LLDC trade has continued to be limited; with the exception of the Kyrgyz Republic, which relies on border trade for meeting most of its export and import requirements.

↑ **A gold prospector uses a sluice box to filter the gold, Burkina Faso.**

For LLDCs in Africa, the narrative from the mid-term is not significantly different from Asia and Europe, with the region equally struggling to attract investment to develop bankable, trade-enhancing infrastructure projects that will boost connectivity. The VPoA has an objective to reduce trade time along transit corridors, with the aim of moving transit cargo 300-400 km every 24 hours. Roads dominate transport on the continent, responsible for 80-90 per cent of passenger and freight traffic. The Trans-African Highway is at the very centre of regional connectivity; 54,120 km and distributed along 9 transit corridors, it is characterized

by missing links and inadequate maintenance in some key segments. With the slow pace of infrastructural deployment at the national and regional levels, many countries, including LLDCs in Africa, have turned to domestic sources to fund this much-needed, trade-enhancing infrastructure. It is important to mention that there is growing support through Aid for Trade to develop both hard and soft transport infrastructure. In implementing the TFA, LLDCs in Africa have introduced one-stop border post control measures, implemented harmonized road charges and initiated the smart corridor concept (EDF, 2016). While more needs to be done to effectively implement the TFA in the region, progress was evident at the time of the review.

The Plurinational State of Bolivia and Paraguay are the only LLDCs in South America. One of the objectives of the VPoA is to align the priorities with national development plans of LLDCs. The mid-term review observed that this was true of the social and economic development plans of both countries. They have also taken critical steps to improve connectivity, making a significant investment in transport infrastructure to reduce travel times and the associated costs. In particular, the Bi-Oceanic Railway Corridor is vital for both countries, as it will enable connection between the mainland and ports on the Atlantic and Pacific coasts. Discussions are underway with partners to ensure financing is available for the multi-country connectivity project. The review observed that more needed to be done to boost regional cooperation that will facilitate trade on the continent. The support of the international community through financing and technical expertise cannot be overemphasized in improving the institutional capacity that will usher in a productivity transformation.

With only three years left in the implementation period of the VPoA, the regression the COVID-19 pandemic has caused is a major setback. Consequently, efforts from all stakeholders must be intensified to recover and achieve meaningful progress by 2024. A report[4] by the International Think Thank for Landlocked Developing Countries on the impact of COVID-19 and responses in LLDCs noted that the pandemic's impact on the health sector varies across countries and largely depends on pre-pandemic health care capacity. The report noted that the inadequate supply of medical supplies was exacerbated by delays in trade and cross-border transit. On international trade, movement of goods and services have been impacted by the pandemic-induced restrictions, which has adversely affected the trade potential of LLDCs. LLDCs mostly export primary commodities; with reduced demand, any drop in prices negatively affects the fiscal positions of LLDC governments, constraining their ability to respond to the crisis.

Restoring LLDCs' capacity to trade means development partners need to support them to develop their productive capacities, diversify their economies, increase value-addition to their exports and further integrate into global and regional value chains. In this fragile time for the global economy, it is also important that transit countries reiterate their commitment to multilateralism and exercise restraint in export restrictions and other measures that could potentially disrupt the

"In this fragile time for the global economy, it is also important that transit countries reiterate their commitment to multilateralism and exercise restraint in export restrictions and other measures that could potentially disrupt the free flow of goods and services.

free flow of goods and services. The pandemic has fortunately accelerated the adoption of digital technology across various sectors of the global economy and also in LLDCs. Enhanced digital connectivity would assist in facilitating the development of necessary ICT infrastructure thereby making significant progress on Priority 2 of the VPoA, on infrastructure development and maintenance.

In implementing the VPoA, the WTO[5] has a clear and important role to play – especially with regard to Priority 3, on international trade and trade facilitation. The VPoA outlines precise actions that the LLDC themselves, transit countries and development partners must take to support the economic development of LLDCs. The continuous and full implementation of the TFA is central to ensuring LLDCs can fully participate in the multilateral trading system, and Aid for Trade is a key pillar of the TFA and is equally critical to LLDCs, especially in the wake of the COVID-19 pandemic.

Impacts of climate change

The impacts of climate change such as extreme temperatures and more frequent flooding and droughts will directly affect roads, railways and other trade infrastructure critical for LLDCs to access international ports and global markets. Any progress made in easing trade bottlenecks could be eroded, increasing trade costs and reducing the competitiveness of domestic producers in LLDCs. International trade will become increasingly important for LLDCs to limit the impacts of extreme weather events on afflicted populations. Imports can

Trade bottlenecks caused by extreme drought in Paraguay

Paraguay's river transport increased from 36 per cent of total volume traded in 1995 to 66 per cent in 2020. In terms of value, river trade was worth nearly US$ 9 billion to Paraguay in 2020. However, extreme droughts since 2019 have resulted in historically low water levels in navigable rivers, squeezing its main thoroughfare access to international markets.

The record low water levels generate delays and cost overruns as vessels must sail at lower loading capacity. River transport has filled 50 per cent of storage capacity in both Paraguayan and shared waters, as well as at the downriver overseas ports in Argentina and Uruguay. As a result, the freight cost for a 40-foot container from China to Asunción has increased from around US$ 3,000 before the droughts to up to US$ 14,000 – affecting the entire logistics chain and the costs of the final products.

↑ Record low water levels have hampered trade transported by river, Paraguay.

cushion shortfalls caused by a shock in the supply of food, for example, while exports can provide an important source of demand during a crisis (Pauwelyn, 2020). Trade can therefore help to sustain economic activities and to reduce the negative impacts of a shock on jobs and incomes.

For future spending on maintaining and expanding trade infrastructure in LLDCs to deliver the best possible return, it is critical that investment plans consider the consequences of climate change (EIB/Bruegel, 2012). Strengthening financial, technical and institutional capacity is especially important for the most vulnerable countries.

Aid for Trade mobilizes investments for building climate resilient infrastructure. Since 2005, 55 per cent of Aid for Trade disbursements were to build energy, transport and telecommunications infrastructures, amounting to US$ 25 billion up to 2019.

Enhanced Integrated Framework

Housed at the WTO, the EIF is a partnership of 51 countries, 24 donors and 8 partner agencies that works closely with governments, development organizations, the private sector and civil society to assist LDCs to use trade as an engine for development and poverty reduction. Seventeen LLDCs are categorized as least developed and face severe structural impediments to sustainable development, including high vulnerability to economic and environmental shocks.

To date, the EIF has invested more than US$ 95 million in trade support to landlocked LDCs, which has included support for analytical studies, the improvement of the trade institutional environment and productive capacity support to targeted sectors. Beyond country-specific support, landlocked LDCs are also the beneficiaries of several regional and cross-regional projects – which are particularly important to unlocking constraints to trade facilitation.

A cornerstone of EIF support is the Diagnostic Trade Integration Study (DTIS). This in-depth analytical work assesses the trade environment in LDC with which the EIF works and establishes a set of national priorities for stronger trade integration. These studies provide a wealth of information and enable analysis across this unique group. When considering the standard Aid for Trade categories, trade facilitation features among the most frequently cited priority areas, together with trade policy, administrative management and agriculture.

Given the disproportionate importance of trade facilitation, the EIF supports LDCs in improving trade facilitation and implementing the TFA through project investments and strengthening institutions. Currently, 13 landlocked LDCs have ratified the TFA. Most DTISs include sections on trade facilitation needs, and many of the training sessions funded by the EIF also cover trade facilitation.

The EIF has supported 29 actions in support of trade facilitation for landlocked LDCs. Recently, this has included support for the establishment of a one stop information centre for trade facilitation in Bhutan, providing increased transparency with respect to procedures and facilitating public-private dialogue around

trade facilitation in the Lao People's Democratic Republic.

In Rwanda, the EIF has worked with the government and other partners to establish a comprehensive cross-border trade-support infrastructure, including the construction of dedicated cross-border markets with the neighbouring Democratic Republic of the Congo and Uganda. This support has a disproportionate effect on women, who often comprise more than three quarters of these traders.

In Zambia, the EIF is working to facilitate the implementation of the TFA through interventions such as support in monitoring the status of implementation, as well as support in implementing advance rulings and notifications. The EIF facilitates consultative meetings with stakeholders together with other partners around the development and enactment of the Boarder Management Act and is supporting the development of a one-stop border post in Kipushi. A preparatory meeting was facilitated to facilitate discussions around a public-private partnership concessional agreement.

The EIF works to ameliorate the challenges small economies face through facilitating capacity of landlocked LDCs to increase their exports and access to international markets. Through EIF support, landlocked LDCs have concluded over 120 new international market transactions, such as: honey exports from Burundi to the United Arab Emirates; gum Arabic from Chad to Switzerland; and shea butter from Mali to the United States of America. Project interventions help to overcome bottlenecks to trade in LLDCs, such as supporting conformity with environmental protection standards through a leather project in Niger.

A selection of EIF projects in LLDCs

Burkina Faso

The EIF has supported over US$ 3.2 million worth of shea exports to global markets, such as France, Niger and the United States of America. Project activities focus on the training of women in particular, in the processing of shea butter and the valorisation of consumable products.

Lao People's Democratic Republic

Drawing on both stronger dialogue between the private sector and the government, EIF support is helping to unlock business constraints and to unleash export potential. Initial trials show increases in the productivity of key agricultural export crops, such as rice and maize, of up to 80 per cent.

↑ Shea butter machine, Burkina Faso.

Malawi

Over 6,000 smallholder farmers have been trained to apply good agricultural practices through innovative techniques. Farmers have seen yields increase by 140 per cent for soya beans and 160 per cent for groundnuts. Farmers' incomes are up by 240 per cent for soya farmers, reducing incidents of poverty. The EIF has facilitated over US$ 2 million in exports.

Mali

With EIF support, Mali has achieved remarkable success in increasing its volume of shea exports to markets such as Burkina Faso, Côte d'Ivoire, France, Gabon, Germany, Senegal, Tunisia and the United States of America – exporting 311 tonnes of shea in 2020, up 17 per cent year-on-year. The EIF has supported the training of women in cooperative management, shea processing and further value addition.

Nepal

Working with more than 4,700 small producers, the EIF has helped to grow the export potential of medicinal and aromatic plants in Nepal. The project invested in improved production and storage techniques, as well as facilitated expanded international market linkages, improved branding and trademark security. Beneficiaries' incomes are estimated to have increased by more than 20 per cent.

Zambia

With support from the SNV Netherlands Development Organisation, the EIF and the government have worked to increase the quality and quantity of Zambian honey exported to international markets. Linking better equipped beekeeping groups with leading private sector firms has increased honey exports: over 6,000 beekeepers have been trained; and more than 200 tonnes of honey have been exported through the facilitated connections. Small farmers have substantially increased both the quality and the volume produced, with one community increasing yields from 30 kg to 216 kg and another from 100 kg to over 700 kg.

↑ A successful harvest in Malawi.

↑ Harvest time in Nepal.

↑ A beekeeper in Zambia inspects a hive.

Endnotes

1 See https://www.un.org/ohrlls/content/vienna-programme-action.

2 See UN document A/76/267.

3 See https://www.un.org/ohrlls/sites/www.un.org.ohrlls/files/vpoa_midtermreview_finalreport_transportconnectivity-24-oct.pdf.

4 See http://land-locked.org/wp-content/uploads/2013/09/REVISED-COVID-19-Impacts-LLDCs-15-April-2021-1.pdf.

5 See the WTO's input for the UN Secretary-General's report on the VPoA, available at https://www.wto.org/english/news_e/news21_e/devel_26apr21_e.pdf.

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