AID FOR TRADE
AT A GLANCE
2015
REDUCING TRADE COSTS
FOR INCLUSIVE, SUSTAINABLE GROWTH
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Foreword

This joint OECD/WTO Aid for Trade at a Glance is a timely publication in a landmark year. From it a strong message emerges about the importance of trade and the multilateral trading system in delivering economic growth and development. It reminds us that high trade costs are a drag on economic development and trade integration, in particular for the poorest. Its call to action should resonate at the WTO’s December 2015 Ministerial Conference in Nairobi, Kenya - the first WTO Ministerial Conference to be held in Africa. It is a message that should also echo in the UN’s post-2015 development agenda and negotiations on its financing.

High trade costs hamper the economic potential of many of the poorest nations, pricing them out of global markets. Landlocked, remote, and small economies are marginalised by costs that reflect geography, not capability. Of particular concern is the stubbornly high level of trade costs for agricultural products. Trade costs also fall disproportionately heavily on small- and medium-sized enterprises. These companies are an engine of employment the world over and offer a route out of poverty, particularly for women.

An important step towards reducing trade costs was taken in 2013 at the Ninth WTO Ministerial Conference in Bali where Members concluded the Agreement on Trade Facilitation. Implementation of the Agreement promises to bring substantial cost reductions for traders in developing countries and least developed countries (LDCs), thereby supporting increased economic activity, and potentially increasing government revenues. Sustained donor support will be needed to assist developing countries if the Agreement is to deliver its full potential. The Trade Facilitation Agreement was only one of a number of decisions taken at the Bali meeting to support the integration of developing countries and LDCs into the global economy. Implementing these other commitments also remains a priority.

Since the start of the Aid for Trade Initiative, donors have disbursed a total of USD 264.5 billion in official development assistance and an additional USD 190 billion in other official flows for financing trade-related programmes in developing countries. This publication, and in particular the case stories that beneficiaries submitted, shows that these programmes have improved trade performance, generated employment, including for female workers, and attracted further domestic and foreign investment. The development benefits of reducing trade costs are impressive: a 1% decrease in global trade costs would increase global income by USD 40 billion at a minimum, with close to two-thirds of this amount accruing to developing countries, according to OECD calculations.

Focusing the Aid for Trade Initiative more firmly on reducing trade costs offers an action-orientated agenda; and – more importantly – one that would make growth more inclusive. Governments, in dialogue with stakeholders, must now work to identify the most distorting trade costs, how best to reduce them, and how to use effectively the different development finance instruments offered by a wide range of providers. Reducing trade costs is an agenda where the private sector has much to offer and the development community much to learn. It is also an agenda that will maximise the contribution of trade to delivering the sustainable development outcomes that are envisaged in the emerging Sustainable Development Goals.

Angel Gurría
Secretary-General
OECD

Roberto Azevêdo
Director-General
WTO
Executive summary

High trade costs inhibit numerous developing countries from fully exploiting the market access opportunities that the multilateral trading system creates. Cumbersome and time-consuming border procedures, obsolete or ill-adapted infrastructure, limited access to trade finance and the complexity and cost of meeting an ever broader array of standards all serve to price too many countries out of international trade. Comparative advantage remains underexploited. Market access does not always convert into market presence. The potential gains from trade are not always fully realised. The Aid for Trade Initiative was launched at the 2005 Hong Kong World Trade Organization (WTO) Ministerial Conference to tackle these kinds of constraints and is making headway. The joint OECD-WTO report, Aid for Trade at a Glance 2015, cites many examples of where obstacles are being overcome and the attendant development benefits. Yet more remains to be done. The report calls for a redoubling of efforts to tackle the issue of trade costs which continues to marginalise many of the world’s poorest and most fragile economies.

Reducing trade costs matters …

Remoteness, inadequate or defective infrastructure and small markets with limited supply side capacity mean that some countries face higher trade costs than others. Policy measures at, between and behind borders are also important in raising trade costs. And when these “frictions” give rise to high absolute costs they can render exports uncompetitive and effectively nullify comparative advantages. High trade costs also erode consumer welfare, narrowing the range of goods and services on offer and pushing up prices. Moreover, they deny firms’ access to technology and intermediate inputs, preventing their entry into, or movement up, global value chains.

While trade costs alone do not explain the development pathways of individual economies, they are a major factor in clarifying why some countries are unable to grow or diversify. Evidence suggests that developing countries bear a disproportionate share of global trade costs, even though they have become more integrated into the world economy in recent years. Some middle income countries have been successful in reducing such costs, but low income countries, especially in sub-Saharan Africa, continue to struggle with stubbornly high trade costs. Moreover, these costs are falling at slower rates than elsewhere, increasing the risk of marginalisation.

…especially for the least developed countries

The least developed countries (LDCs) either on their own or with support are gaining traction in lowering trade costs. However, they find it hard to make a transformative shift because of the high absolute costs from which they start (particularly landlocked countries), limited institutional capacity and resource constraints. This is where aid for trade is contributing to lowering trade costs. A review of Diagnostic Trade Integration Studies, together with evaluations and case studies, shows that the impact of these interventions is highest when based on: robust and credible analytical work; a high level of country ownership; institutional capacity building; continuous support over a sufficiently long period; resource leveraging; and a co-ordinated donor response.
... and small- and medium-sized enterprises.

Small- and medium-sized enterprises (SMEs) represent the backbone of economic activity especially in developing countries. Those that are integrated in global markets – whether directly or indirectly – are more productive than SMEs that do not participate in trade. More productive SMEs find it easier to integrate, but integration is also likely to contribute to raising productivity and closing the productivity gap between small and large enterprises. The result is higher and more inclusive growth. However, SMEs suffer disproportionately from high trade costs, hampering their integration into the global economy. Reducing trade costs will therefore contribute to making trade more inclusive as it may allow SMEs to expand employment and increase wages. Gender equality can benefit from this, given that many SMEs are owned by women and employ more women than men.

The WTO Agreement on Trade Facilitation is an important step

An important step towards reducing trade costs was taken in 2013 when the Ninth WTO Ministerial Conference in Bali concluded the Agreement on Trade Facilitation (TFA). The TFA promises to bring substantial cost reductions for traders and revenue increases for governments. The TFA gives customs and border modernisation efforts a new focus and direction. Donors have expanded their financial support to implement trade facilitation measures to USD 1.9 billion since 2005, with positive results reported on many of the issues covered by the TFA. Sustained donor support will be needed to assist developing countries in making good on their commitments and realising the full potential of the agreement.

... and helps countries to connect with global value chains.

Many of the costs that affect the smooth connection of various parts of the production chain transcend national borders. For this reason, regional initiatives to enhance connectivity can often be more effective in addressing such costs than purely national programmes. Thus, there is significant scope to tackle trade barriers on a multi-country or regional basis and in ways compatible with the principles of the multilateral trading system. In response, several aid-for-trade projects – often with multi-donor funding – have targeted regional trade costs and successfully improved regional economic co-operation. Going forward, it is important to learn from these examples that have succeeded in reducing trade costs sustainably.

Aid-for-trade disbursements are helping ...

A total of USD 264.5 billion has been disbursed for financing aid-for-trade programmes and projects since the Aid for Trade Initiative was launched in 2006, while the share of aid for trade in sector-allocable aid has risen from 31% to 38% in 2013. To date, more than three-quarters of total aid for trade has financed projects in four sectors that are closely related to cutting trade costs; transport and storage (29%), energy generation and supply (21%), agriculture (18%) and banking (10%). Middle-income countries received, in addition, USD 190 billion in trade-related other official flows mainly for infrastructure and private sector development. The LDCs received 10 USD per capita in aid for trade, more than double the average.
... with further support through public-private co-operation.

In order to design effective solutions for cutting trade costs, in particular those occurring at the border, close collaboration between the public and the private sector is key. Partnership between the public and private sectors can ensure that efforts tackle the value chain-related constraints and reach tipping points for growth. To that end, a constant dialogue between government and the private sector can help adapt reforms to meet the needs of firms including SMEs which will also enhance poverty reduction. While business’ first priority is implementing the TFA, a co-ordinated approach is required, that goes beyond encouraging trade. For example, enabling trade should go hand in hand with facilitating investment to enlarge the pool of finance for development.

**Aid for trade and the sustainable development agenda**

The post-2015 development agenda, which aims at inclusive and sustainable development in social, economic and environmental dimensions, requires a significantly increased amount of financing. This will strengthen the prominence of international trade as a source of financing for development, particularly for the LDCs. However, the trade and development community should take care that the transformative nature of the post-2015 development agenda does not inadvertently result in a rise of unnecessary non-tariff measures that would increase trade costs and reduce the capacity of developing countries to use trade as an engine of economic growth and poverty reduction.

The new development paradigm under the post-2015 development agenda may require aid for trade to adopt a more integrated approach. Such an approach should ensure that aid for trade contributes to inclusive and sustainable development outcomes. That is, in addition to improving trade performance, the Aid for Trade Initiative should aim at positive social, economic and environmental impacts. For example, it should help developing countries to deal with the extra cost that may be associated with a greater burden of compliance with non-tariff measures.
Chapter 1: Why trade costs matter for inclusive, sustainable growth (World Trade Organization)

High trade costs price many countries out of international trade, rendering their exports uncompetitive and nullifying their comparative advantage. High trade costs deny firms access to technology and intermediate inputs, preventing their entry into, or movement up, global value chains. High trade costs also erode consumer welfare, by narrowing the range of goods and services on offer and pushing up prices. While trade costs alone do not explain the development pathways of economies, they are a major factor in shedding light on the reasons why some countries are unable to grow and diversify. The same is also true for many regions, often disadvantaged, within countries.

**FIGURE 1. DOING BUSINESS COSTS TO EXPORT**

The most common and important sources of trade costs identified by respondents to the joint 2015 OECD-WTO aid-for-trade monitoring survey were border procedures, transport infrastructure, and non-tariff measures, including standards - an assessment shared by both developing countries and their development partners.

**FIGURE 2. MOST IMPORTANT SOURCES OF MERCHANDISE TRADE COSTS REPORTED BY PARTNER COUNTRIES.**

The most common and important sources of trade costs identified by respondents to the joint 2015 OECD-WTO aid-for-trade monitoring survey were border procedures, transport infrastructure, and non-tariff measures, including standards - an assessment shared by both developing countries and their development partners.
Although trade costs are ubiquitous, they are not immutable. Action to reduce trade costs can be, and is being undertaken by a range of countries with the support from development partners and often also the active engagement of the private sector. Where action is being undertaken, the results are quite positive. Partner countries report customs reforms, infrastructure upgrading, non-tariff measure compliance and tariff reforms as having had the most positive results in terms of reducing trade costs for goods and services. But much work remains to be done to reduce trade costs and help developing countries notably LDCs, landlocked and small economies integrate into the global economy. There are encouraging signs to believe that developing countries and their partners are taking this issue seriously and that action in this area builds on solid theoretical foundations.

**FIGURE 3. ACTIONS ASSOCIATED WITH THE MOST POSITIVE RESULTS IN REDUCING TRADE COSTS**

The benefits of reducing trade costs are attractive from a systemic standpoint because reforms, such as improvements in trade facilitation, affect all trading partners simultaneously. Empirical studies find that broad based trade cost reductions have great potential to boost trade and economic welfare, in particular in those economies with the highest trade costs i.e. low income countries.
Besides bringing aggregate economic benefits in the form of increased trade and higher levels of national income, trade cost reductions can also have positive distributional impacts within countries. Even though local outcomes vary and depend crucially on consumption and production patterns within a country, lower trade costs are typically associated with net poverty reduction. That is one reason why trade costs matter for the post-2015 development agenda.

Chapter 2: Trends in trade costs (World Bank Group)

Trade costs – the difference between the producer price in the exporting country and the consumer price in the importing country – depend on factors such as geographical distance, language, or historical connections, but also factors that can be targeted by policy interventions, such as supply chain connectivity, or tariff and non-tariff barriers. Recent research that has estimated the relative importance of the various sources of trade costs found as expected, distance as a major source, but also that logistics performance and connectivity are at least as important, and more so than tariffs. This means that although policies cannot change geography, policies can indeed target the other major sources of trade costs that prevent integration of the poorest countries into the global economy (see Figure 4).

**FIGURE 4. TRADE COSTS IN MANUFACTURING AND LOGISTICS PERFORMANCE**

Source: UNESCAP-World Bank Trade Costs Database; World Bank Logistics Performance Index.

StatLink  \[ \text{http://dx.doi.org/10.1787/888933240927} \]
Indeed, the evidence shows that poorer countries are disproportionately impacted by trade costs by a factor of two to three. However there are wide disparities – more than is accounted for by differences in income levels between regions alone. Trade costs in East Asia and the Pacific in 2010 were on average 93% - only slightly higher than the high-income country average of 82%. By contrast, trade costs in sub-Saharan Africa were 50% higher than in East Asia and the Pacific, although they did decline in recent years. Also trade costs are higher for agriculture than for manufactured goods (see Figure 5).

**FIGURE 5. TRADE COSTS IN MANUFACTURING BY INCOME GROUP, 1996 AND 2010**

Substantially reducing high trade costs calls for focussing on policies with the highest impact. Developing countries will benefit the most from policies that make supply chains more efficient and enhance connectivity, including at the regional level. Going forward, it will be important for partner countries and donors to learn from successful examples of projects that have achieved substantive trade cost reductions. Many of these successful projects have lowered trade costs by combining soft and hard interventions along the three primary dimensions of logistics connectivity: development of trade-related infrastructure such as corridors, trade facilitation and integration of border procedures, improvement of the logistics sector through regulatory reforms, and enhancement of the business climate. There is also significant scope to undertake these policies more effectively on a multi-country or regional basis.

Chapter 3: Aid-for-trade flows (Organisation for Economic Co-operation and Development)

A total of USD 246.5 billion has been disbursed to finance trade-related programmes since the Aid for Trade Initiative was launched in 2006. Most of it destined for countries in Asia (38.4%) and Africa (35.1%). Regional and global programmes attracted 15.5% of total disbursements. To date, more than three-quarters of total aid for trade has financed projects in four sectors that affect trade cost disproportionately: transport and storage (29%), energy generation and supply (21%), agriculture
(18%), and banking and financial services (10%). In addition, USD 190.3 billion in trade-related other official flows has been disbursed mostly to fund projects in economic infrastructure (47%) and building productive capacities (52%), and almost exclusively in middle-income countries (92%).

**FIGURE 6. AGGREGATE 2006-13 AID-FOR-TRADE DISBURSEMENTS BY SECTOR**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Disbursement (in USD billions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic infrastructure</td>
<td>129 billion</td>
<td>52.4%</td>
</tr>
<tr>
<td>Building productive capacity</td>
<td>109.6 billion</td>
<td>44.5%</td>
</tr>
<tr>
<td>Transport</td>
<td>29.5 billion</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>21.0 billion</td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>1.9 billion</td>
<td></td>
</tr>
<tr>
<td>Trade policy &amp; regulations</td>
<td>7.6 billion</td>
<td>3.1%</td>
</tr>
<tr>
<td>Industry/mining</td>
<td>7.0 billion</td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>21.6%</td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td>21.0%</td>
<td></td>
</tr>
<tr>
<td>Business services</td>
<td>1.9%</td>
<td></td>
</tr>
<tr>
<td>Tourism</td>
<td>0.4%</td>
<td></td>
</tr>
<tr>
<td>Banking services</td>
<td>5.4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: OECD-DAC/CRS aid activity database

In 2013 aid-for-trade-commitments reached USD 55.4 billion; an increase of USD 1.8 billion in real terms compared to 2012 and an additional USD 30.1 billion compared with the 2002 – 2005 baseline average, or 119% in real terms. Trade-related OOF increased by more than USD 10 billion to reach USD 48.8 billion in 2013 compared to 2012 and more than doubled compared to the 2002-05 baseline average of USD 17 billion.

**FIGURE 7. AID-FOR-TRADE SECTOR DISTRIBUTION 2002-05 AVG. – 2013**

Source: OECD-DAC/CRS aid activity database

StatLink [http://dx.doi.org/10.1787/888933241013](http://dx.doi.org/10.1787/888933241013)
Empirical studies confirm that aid for trade, in general, is effective at both the micro and macro level. OECD/WTO (2013) found that one US dollar invested in aid for trade is on average associated with an increase of nearly eight US dollars in exports from all developing countries – and with an increase of 20 US dollars in exports for the poorest countries. But, the impacts may vary considerably depending on the type of aid for trade intervention, the income level and geographical region of the recipient country and the sector at which the support is directed.

These findings are confirmed by the anecdotal evidence which can be gleaned from the 117 case stories that were submitted to the 2015 call for these stories. From the 94 case stories submitted by the public sector 377 outputs were reported. Almost 60% were related to facilitating trade at the border, including new customs procedures (57 times), or the introduction of a single window (27 times). The adherence to standards was 66 times ranked as an output, followed by the training of officials (54 times).

The 366 outcomes that were listed in the public sector case stories focused for almost 40% on the reduction of trade costs in terms of a reduction in customs/border clearance times (57 times), or cost of custom/border clearance (39 times). Increased trade, both import and exports of merchandise goods and services, was the other main outcome which was mentioned a total of 120 times.

In 94 public sector case stories 299 impacts were mentioned. The most important ones were a reduction in poverty and increase in welfare (69 times) and an increase in foreign and domestic investments (also 69 times), these were closely followed by a rise in employment including for women (65 times) and diversification of import and exports (63 times).

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**FIGURE 8. AGGREGATE FINDINGS FROM THE PUBLIC AND PRIVATE SECTOR CASE STORIES**

<table>
<thead>
<tr>
<th>Impact</th>
<th>% Share of Total Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export market diversification</td>
<td>15.5%</td>
</tr>
<tr>
<td>Increase in employment</td>
<td>14.9%</td>
</tr>
<tr>
<td>Increase in foreign investment</td>
<td>12.5%</td>
</tr>
<tr>
<td>Increase in domestic investment</td>
<td>10.6%</td>
</tr>
<tr>
<td>Increase in consumer welfare</td>
<td>9.2%</td>
</tr>
<tr>
<td>Increase in women’s employment</td>
<td>9.2%</td>
</tr>
<tr>
<td>Increase in per capita income</td>
<td>8.3%</td>
</tr>
<tr>
<td>Poverty Reduction</td>
<td>6.3%</td>
</tr>
<tr>
<td>Import market diversification</td>
<td>5.6%</td>
</tr>
<tr>
<td>Increase in remittances</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

Note: 111 case results - multiple impacts were allowed.
Source: Joint OECD/WTO Case Stories 2015

StatLink: [http://dx.doi.org/10.1787/888933241096](http://dx.doi.org/10.1787/888933241096)
Two-thirds of the donors that participated in the survey have a specific aid-for-trade strategy. Since 2012, they revised their strategies to focus their support more on trade facilitation (9 donors), inclusive and sustainable growth (8 donors), private sector development (8 donors), and regional integration (7 donors). The issue of trade costs are specifically addressed in almost 60% of donor’s aid-for-trade strategies. In most cases this is done through in-country programmes and projects (73%), regional programmes and projects (64%), and thematic programming (64%).

Partner countries answered overwhelmingly (93%) that they had formulated specific aid-for-trade priorities. Trade facilitation was ranked 44 times among the top three priorities and is highlighted as a priority in almost all (93%) regional, national or sectoral trade development strategies. This is followed by competitiveness and trade policy analysis, negotiations and implementation which are both ranked 35 times as a priority.

Chapter 4: Supporting implementation of the Trade Facilitation Agreement (World Trade Organization)

Economic research and evaluations of support programmes clearly show that removing administrative and regulatory bottlenecks at borders can have powerful effects on reducing trade costs and increasing trade. According to OECD studies, a 1% decrease in global trade costs would yield an increased global income of USD 40 billion at a minimum, the bulk of which (63%) would be realised by developing countries. The purpose of the new WTO Trade Facilitation Agreement (hereinafter the “TFA”) is to expedite the movement, release and clearance of goods, including goods in transit. Implementation should help developing and LDC members reduce border inefficiencies, and the resulting trade costs.

One particular feature of the Agreement is the implementation flexibility that it accords to WTO members. First, many of the approximately 35 technical trade facilitation measures are written in language that does not mandate but rather requires “best efforts”. Second, the Agreement allows each developing or LDC member to determine when it will implement each trade facilitation measure, and to determine the support needed for its implementation. Implementation of the TFA might require technical assistance in seven areas: i) co-ordination of border authorities; ii) information/communication technology (ICT); iii) policy/legal framework; iv) procedures; v) equipment and infrastructure; vi) human resources/training; vii) engaging the business community.

Table 1 shows the trade facilitation measures considered by developing and LDC members as priorities for technical assistance. This information was compiled on the basis of 62 responses to the joint OECD-WTO aid-for-trade monitoring survey, 54 Category A notifications (the measures least notified in category A), and the results of WTO trade facilitation needs assessments. The information shows implementation of a single window, border agency co-operation, authorised operator, risk management and advance rulings (as highlighted in Table 1) to be the top priorities for donor support reported by WTO developing country members.
TABLE 1. PRIORITY MEASURES FOR IMPLEMENTATION OF TFA MEASURES

<table>
<thead>
<tr>
<th>WTO Member Self Assessment Priorities</th>
<th>Category A Least Notified Measures</th>
<th>Developing and LDC questionnaire (most difficult to implement - needs TACB focus)</th>
<th>Donor questionnaire (Needs most focus for TACB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Window</td>
<td>Single Window</td>
<td>Border agency co-operation</td>
<td>Formalities (includes Single Window)</td>
</tr>
<tr>
<td>Test Procedures</td>
<td>Authorised operators</td>
<td>Formalities connected with import, export, transit (includes Single Window)</td>
<td>Border agency co-operation</td>
</tr>
<tr>
<td>Risk management</td>
<td>Enhanced controls</td>
<td>Publication and availability of information</td>
<td>Customs co-operation</td>
</tr>
<tr>
<td>Authorised operators</td>
<td>Test procedures</td>
<td>Advance rulings</td>
<td>Release and clearance of goods (including risk management and Authorised Operators)</td>
</tr>
<tr>
<td>National Committee on Trade Facilitation</td>
<td>Average lease times</td>
<td>Release and clearance of goods (includes risk management and authorised operators)</td>
<td>the Agreement as a whole</td>
</tr>
<tr>
<td>Publication and availability of information</td>
<td>Enquiry Points</td>
<td>Customs co-operation</td>
<td>Other measures to enhance impartiality…</td>
</tr>
<tr>
<td>Border agency co-operation</td>
<td>Border agency co-operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance Rulings</td>
<td>Advance rulings</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Trade facilitation support has risen steadily since the WTO negotiations began. According to figures reported to the OECD Creditor Reporting System, funding commitments rose from an average of USD 80 million in the period 2002-2005 to reach USD 668 million in 2013. Since 2005, some USD 1.9 billion has been disbursed in trade facilitation support. Case stories of trade facilitation reform submitted for the 2015 monitoring exercise report good results and highlight that some of the identified needs and priorities are already being met. Donor responses to the 2015 monitoring exercise suggest that trade facilitation funding may continue to rise.

Trade facilitation support relies on a core group of bilateral and multilateral donors. OECD data also highlight that direct bilateral assistance has tended to focus on specific regions and countries. Regional programmes are also on the rise and may be available for countries that have not accessed direct bilateral assistance. Respondents to the 2015 monitoring exercise suggested they may face problems accessing external funds, due mainly to lack of information on funding opportunities, differing priorities of in-country donors or problems in demonstrating political will for TFA reforms. To respond to these concerns the WTO Director-General established a WTO Trade Facilitation Agreement Facility (TFAF) in 2014. This Facility can contribute to the process of matching supply to demand and supporting the efforts of developing and LDC members to access the support they need.
Chapter 5. Trade costs in the least developed countries
(Executive Secretariat of the Enhanced Integrated Framework)

Reducing trade costs is a worthy goal irrespective of a country’s income level or trade performance. In the case of LDCs, it is doubly important to pursue this agenda. Not only because their trade costs are declining at a slower pace compared to middle income and high income countries, but also because starting from a higher level, they can potentially derive disproportionally higher benefits. However, to make informed policy choices, it is imperative to understand the heterogeneity in trade costs across various categories of the LDCs.

Analysis shows that among the different sub regional groupings, Central Africa followed by South Asia faces the highest trade costs. Also landlocked LDCs face 168% higher costs for exporting compared to coastal LDCs, and they face even higher costs (180% more) for importing goods. Moreover, mineral exporting countries tend to face higher costs compared to other commodity exporting countries; and LDCs in fragile situations face higher costs compared to the LDC average. However, a prima facie argument can be made in the case of the latter two categories of LDCs, where landlockedness seems to dominate the trade cost pattern of both mineral exporting LDCs as well as LDCs in fragile situations. Further research is needed to be more conclusive.

A number of LDCs have taken the measures aimed at lowering trade costs, either on their own or with the support of the private sector. Reform measures on trading across border indicators as listed in the World Bank Doing Business Reports and considerable improvement on the logistic performance index, particularly by top 10 LDCs included in the indicators, are a clear testament to the success achieved in this sphere. This is further substantiated through a wide body of evidence emerging
from the ground. However, even these reform-minded LDCs are unable to make a transformative shift because of limited institutional capacity and resource constraints. This is where aid for trade can play a crucial role. This seems to be the case not only because aid for trade disbursements to LDCs have been increasing more rapidly compared to the average rate of growth between 2006 and 2013 (Figure 9), but also because it seems to be going to areas which directly contribute to lowering trade costs.

There is general agreement that support provided for trade policy and reform has been effective in reducing trade costs in developing countries because of their focus on “soft” infrastructure and investment in enhancing institutional quality. This finding, however, is not clear cut when it comes to low income countries and LDCs. In those countries support towards strengthening institutional capacity does not seem to produce the desired impact without also addressing infrastructural or supply-side bottlenecks. Tackling these constraints also needs more and targeted aid for trade.

Aid for economic infrastructure and trade policy and regulations and examples of successful project interventions show movement in the right direction in LDCs. A review of 20 Diagnostic Trade Integration Studies (DTISs) and their updates, the results of aid-for-trade programmes and in-country intervention of the Enhanced Integrated Framework show that in the LDCs the impact on reducing trade cost tends to be higher when certain conditions are fulfilled. These include a robust and credible analytical work for needs assessments; a high level of country ownership; institutional capacity building on a sustained basis; continuous support for a sufficiently long period; resource leveraging; and a co-ordinated donor response. Moreover, such interventions are more successful if political economy challenges are appreciated, mainstreamed and mitigated.

**Chapter 6: Trade costs and connecting to GVCs**

*(Organisation for Economic Co-operation and Development)*

The internationalisation of production can offer developing countries new opportunities to integrate into the global economy by allowing firms to join international production networks rather than having to build their own from scratch. However it calls for a stronger focus on addressing policy and non-policy related trade costs so as to ensure that every stage of the production chain functions efficiently and that trade is as frictionless as possible.

Multilateral and regional aid for trade co-operation can help firms enter and grow in GVCs, especially when it helps to deepen integration by covering as many dimensions of GVCs as possible, tariffs, technical measures, services competition policy, investment, intellectual property protection and dispute settlement as well as trade facilitation measures.
Many of the costs that affect the smooth connection of various parts of the chain often seem to transcend national borders. A recent OECD (2015) report shows that trade policy and open investment regimes can help boost participation in developing countries, trade facilitation and infrastructure seem to be more important determinants of GVC participation. This is consistent with the responses to the joint 2015 OECD-WTO aid-for-trade monitoring survey and underscores the rising awareness among partners and RECs about the need to address trade facilitation issues to decrease trade costs and raise participation in GVCs. Regional co-operation can be an effective strategy to promote integration into value chains and enhance regional integration, particularly by addressing bottlenecks that are regional rather than national in character. The responses to the Joint 2015 OECD-WTO aid-for-trade monitoring survey confirm that actions have been taken in the key areas. The analysis of multi-country and regional Aid for Trade Initiatives shows that some of the projects are yielding good results while others have not seen as much progress. One major challenge for the future is the need for better co-ordination at the regional level of infrastructure projects with narrow trade facilitation projects, as is done in ASEAN or CAREC.
Chapter 7: Trade costs and small- and medium-sized enterprises (International Trade Centre)

Small- and medium-sized enterprises (SMEs) represent the backbone of economic activity in both developed and developing country economies. They tend to be less productive than large firms and the productivity gap is particularly pronounced in developing countries. Evidence shows that SMEs that are integrated in global markets – whether directly or indirectly – are more productive than those that do not participate in trade. Evidence also shows that imports are as important for productivity as exports, due to the increasing trade in tasks and value added. Integration into global and regional markets is thus likely to contribute to closing the productivity gap between SMEs and large enterprises. This has positive impacts on the inclusiveness of growth. Trade costs hamper SME integration in global markets and SMEs suffer disproportionately from trade costs that take the form of fixed costs. The latter create a bias in favour of large firms, which find it easier to overcome fixed costs. A reduction of fixed trade costs thus contributes to making trade more inclusive.

Trade costs take multiple forms and require different types of interventions to address them. Private-sector surveys find that access to information and procedural obstacles are among the most pressing barriers to trade. SMEs surveyed indicated that they would above all value more access to information about export opportunities. This need may come as a surprise in today’s era of information technology and computerisation. Yet it also implies that addressing such obstacles may be relatively straightforward and not overly costly.

FIGURE 11. TRADE COSTS FOR SMES AND LARGE FIRMS

Access to information about export opportunities
Access to trade finance
Access to information about procedures to be followed and regulations to be met in order to export or import
Tariffs, fees and other charges
Transportation systems
Network infrastructure in your country
Costs related to overcoming non-tariff measures and regulatory burdens
Border procedures in your country
Border procedures in destination country

SME  Large firm

Note: SMEs are defined as firms with less than 250 employees. The chart reflects responses of 418 SMEs and 103 large firms.

StatLink  http://dx.doi.org/10.1787/888933241425
The nature of the obstacles identified in the private sector surveys suggests that addressing them may have strong impacts on SME integration in global markets. Access to information is more frequently identified as a priority obstacle by SMEs than by large firms. Indeed, the burden of information costs may weigh lightly on most large enterprises while being prohibitively heavy for SMEs. Trade support institutions have traditionally played an important role in providing trade-related information, in particular related to export opportunities. Given the relevance of informational obstacles, strengthening their capacity to provide relevant and tailored information could become an important component of a future aid-for-trade agenda.

Modern technologies, in principle, offer relatively cost-effective solutions to facilitating and streamlining border transition processes, the other set of trade obstacles featuring most prominently in survey responses. Appropriate solution design and implementation may differ across countries. Strengthened communication and – where possible – collaboration between the private sector and the public sector can greatly contribute to finding the most suitable solutions and implementing them in a business-friendly way. This is fully recognised in the WTO Trade Facilitation Agreement. Indeed, the current international momentum on implementing that Agreement arguably offers a unique opportunity for WTO members to launch a dialogue with the private sector about the shape of trade facilitation reforms.

National efforts should also ensure that SMEs are fully included in the public-private dialogue mechanisms that are being set up under the auspices of the TFA. This would not only be fully in line with the WTO’s principle of non-discrimination and the spirit of the TFA but also with other global policy initiatives, notably those taking place in the context of the B20 SME & Entrepreneurship Task Force established in 2014. Last but not least, this would ensure that the backbone of the economy interacts with the rest of the economy and can function effectively to the benefit of all.

Chapter 8: Engaging the private sector (Organisation for Economic Co-operation and Development)

The private sector is responsible for approximately 90% of employment in the developing world – including both formal and informal jobs. Private entrepreneurs and their profit-making activities – whether large multinationals, small-scale local enterprises or informal farmers – provide critical goods and services that improve people’s lives, generate domestic tax revenues and are key to stimulating economic growth and diversification. While donor agencies differ in their approaches and priorities for alleviating poverty, they all see economic growth as the requisite factor for meeting sustainable development goals and ending poverty – and they recognise that sustainable development solutions will require a central role for the private sector. This is underscored by strong evidence that private investment and private sector-led productivity increases are the transformational force in development.
In order to develop a thriving private sector, donor agencies have supported partner countries to get the pre-conditions for private sector growth right, including promoting a propitious business climate, investing in infrastructure and facilitating entrepreneurship through development finance and technical assistance. While developing country governments are responsible for creating an environment conducive to private sector growth, development co-operation can help governments steer private sector activities to contribute to more inclusive and environmentally sustainable growth.

In view of the pivotal role played by business, finding the ways and means of leveraging private sector know-how, productive capacity and financial resources for development is high on the agenda of donor agencies. This entails working with private sector enterprises to make them direct actors in development, and has led to a shift in the paradigm from a largely government-focused approach to a blend of aid, trade, and investment activities and initiatives.

**FIGURE 12. DONOR FOCUS OF PRIVATE SECTOR DEVELOPMENT**

<table>
<thead>
<tr>
<th></th>
<th>% SHARE OF TOTAL RESPONSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for SMEs</td>
<td>90.9%</td>
</tr>
<tr>
<td>Business environment</td>
<td>84.8%</td>
</tr>
<tr>
<td>Business support institutions</td>
<td>72.7%</td>
</tr>
<tr>
<td>PSD in LDCs</td>
<td>72.7%</td>
</tr>
<tr>
<td>Improving access to credit</td>
<td>69.7%</td>
</tr>
<tr>
<td>Business services</td>
<td>54.5%</td>
</tr>
<tr>
<td>Vocational training</td>
<td>51.5%</td>
</tr>
<tr>
<td>Business engagement</td>
<td>45.5%</td>
</tr>
<tr>
<td>PSD in fragile states</td>
<td>45.5%</td>
</tr>
<tr>
<td>PSD in MICs</td>
<td>45.5%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>39.4%</td>
</tr>
<tr>
<td>Workers’ health and education</td>
<td>12.1%</td>
</tr>
</tbody>
</table>

![Note: 33 respondents - multiple responses were allowed.](http://dx.doi.org/10.1787/888933241547)

Direct support for establishing or expanding businesses – through public-private partnerships and concessional loans and grants – are a key feature of donor efforts, accounting for more than 80% and 60% of responses to the joint 2015 OECD-WTO aid-for-trade monitoring survey, respectively. Many of these activities involve private companies based in donor countries, who receive support
for establishing joint ventures or expanding business investment in the developing world. SME development is a core focus of donor support with more than 90% of survey respondents prioritising their expansion. SMEs are also often beneficiaries of other activities receiving widespread donor support – such as strengthening the capacity of business or trade institutions, improving market information and business services, and enhancing access to credit.

**FIGURE 13. DONOR INSTRUMENTS TO SUPPORT PRIVATE SECTOR DEVELOPMENT**

From the perspective of donor agencies, collaboration with the private sector goes far beyond simply securing additional funding. Attracting FDI is important for developing countries because it has the potential to bring a package of benefits, including managerial and technical skills, intra-firm finance, technology spill-overs and access to new markets. The private sector also has advantages over the public sector in terms of moving quickly and being adaptable. The benefits of skilled management in organising and training a local labour force, in setting standards for safety and health, in paying taxes to the local government, and in raising the technological threshold of local industrial and service sectors contributes far more to the development of the local economy than the direct impact of the investment itself. But challenges remain. More empirical information is needed to assess what works and what doesn’t work and a stronger focus on results and impact could be more broadly mainstreamed throughout private sector support efforts.
Chapter 9: Aid for trade and the post-2015 development agenda (United Nations Conference on Trade and Development)

The post-2015 development agenda will provide a new plan of action for the world to progress towards sustainable development. The backbone of the Agenda, the Sustainable Development Goals (SDGs) and targets, shall help all countries achieve development in a way that sustains the planetary ecosystem, such that achieving socioeconomic development today will not undermine future generations’ opportunities to develop. The Agenda calls for integrated solutions that will “transform” the way we grow into a more inclusive and sustainable one.

Progress in sustainable development will depend on vibrant economies and the inclusive growth that will generate, among others, jobs with decent wages and revenues for social programmes among others. International trade has been an engine of economic growth and a significant source of private finance and public revenue for developing countries particularly LDCs. But the new sustainable development paradigm is likely to change the international trading environment. The initial impact of the post-2015 development agenda/SDGs on trade will be a rise in the number of non-tariff measures (NTMs) in particular sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) aiming at e.g. healthy lives, social inclusiveness, environmental protection. This may result in a rise in trade costs to LDCs’ exports.

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![Diagram showing trade-related revenue generation and mobilisation for public financing](image-url)
In order to help LDCs continue making the most of trade’s development-enabling power in meeting their own SDGs, the future Aid for Trade Initiative needs to pay attention to: ways to enhance trade’s role as a means of implementation of the SDGs; social and economic inclusiveness; and an integrated approach with a view to enhancing synergies between trade outcomes and economic, social and environmental sustainability.

Chapter 10: A business perspective
(World Economic Forum)

Business is a strong proponent of reducing barriers to trade and investment. The path to high-quality trade facilitation requires a multi-stakeholder approach with a strong private sector role in directing support to the areas of greatest need and ensuring that tipping points are reached. The World Economic Forum works to identify bottlenecks through diagnostic tools such as the Enabling Trade Index (ETI), launched in 2008. The ETI is a composite indicator that assesses to what extent economies have the institutions, policies, infrastructures and services in place to facilitate the free flow of goods over borders and to their destinations. The index represents an important first step in the decision-making process, notably in the context of aid-for-trade programmes.

Analysing the distribution of aid for trade against ETI performance indicates that disbursements have largely been aligned with the needs of developing countries. Those which score relatively worse in the ETI generally received proportionately more aid since 2005. There are exceptions, especially in sub-Saharan Africa, where some economies have so far received relatively few resources in light of their needs. Transport infrastructure is the main recipient of aid-for-trade programmes, representing about one third of total disbursements in low income countries. ICT development did not attract the same level of attention, receiving relatively scarce and scattered resources. Similarly, efforts to enhance border administration and trade facilitation appear not sufficiently targeted, with some of the worst performing countries receiving little or no aid to improve the operation of this sector.

More actively, the World Economic Forum works to bring together private sector actors with reform-minded governments and border agencies. Practical supply chain experience proves valuable in removing barriers and reducing delays. Crucially, a broad set of stakeholders, many of whom may not see themselves as directly connected to trade flows, need to see benefits from working together to allow supply chains to operate. Experience with the introduction of Brazil’s single-window system illustrates that designated co-ordinating bodies and governance are key for more competitive trade procedures and increased transparency for all stakeholders. Attracting support and inputs from the private sector allowed Brazil to take specific steps to design and implement Portal Único.
Building upon private sector experiences, a comprehensive and co-ordinated approach beyond pure trade reforms is also required. Building human capacity, enhancing port hinterland infrastructure, improving road safety and streamlining regulatory processes improve the effectiveness of trade facilitation. Enabling trade should go hand in hand with facilitating investment. Partnership between the public and private sectors is needed to ensure that implementation efforts address value chain needs. Constant dialogue between government and the private sector can help adapt reforms to meet the needs of users and enhance their impact.

There are encouraging signs of increased coalition-building for trade facilitation implementation. Flexible co-operation among donors, international institutions, recipient governments and the private sector will enhance the work of each. Building on the Enabling Trade implementation work, the World Economic Forum can play a role in providing a mechanism to facilitate public-private co-operation.
Chapter 11: Conclusions (Organisation for Economic Co-operation and Development, and World Trade Organization)

After 10 years during which the global economy has changed dramatically, it is time to assess whether the Aid for Trade Initiative is still fit for purpose. In the run-up to the 3rd International Conference on Financing for Development, the United Nations Summit to adopt the post-2015 development agenda, and the 10th WTO Ministerial Conference in Nairobi, Kenya the trade and development community have a unique opportunity to ensure the continued relevance and effectiveness of aid for trade.

The Initiative has succeeded in raising awareness among developing countries and donor agencies about the positive role that trade can play in promoting economic growth and development. Since the Initiative was launched in 2006, commitments have more than doubled, while the share of aid for trade in country programmable aid increased from an average 31% to 38% in 2013. There is now ample empirical evidence suggesting that aid for trade is broadly correlated with increases in trade. Furthermore, it is now widely accepted that trade generates economic growth which - depending on its pace and patterns - reduces poverty. The empirical evidence is buttressed by anecdotal findings from a large number of case stories submitted in the context of the 2011 and 2015 monitoring exercises. The sheer quantity of activities reported by the public and private sector suggest that aid-for-trade efforts are substantial, that they have taken root across a wide spectrum of countries, and that they are becoming central to development strategies. In addition, the Initiative has proven to be flexible in addressing a broad set of issues on the evolving trade and development agendas but also to engage a broad community including providers of south-south co-operation, the private sector and civil society.

Despite these achievements, a number of challenges loom as the Aid for Trade Initiative needs to adapt to the post-2015 development agenda with its focus on Sustainable Development Goals (SDGs). The 2013 Bali Package refocused attention on the possibilities offered by multilateral approaches to agreeing on trade rules. The challenge now is to agree on a work programme that can be used as a springboard to concluding the Doha Development Agenda. Research suggests that delivering a substantive deal could advance progress towards the SDGs, and could be considered as a down payment on financing the post-2015 development agenda.

The starting premise of the Aid for Trade Initiative was that enshrining market access in trade agreements is an essential, but not a sufficient step to achieve market presence – other factors need to be addressed too. Past Global Reviews have galvanised attention and action on this issue. This report underlines that this strategy is working, but that high trade costs remain a significant impediment for developing countries. In the worst cases, prohibitive trade costs can price the poorest countries out of the global market altogether, leaving them locked into low-value regional trade where growth possibilities are stymied. At the factory or farm gate level, products can be competitively priced but still fail in export markets due to excessive trade costs – and also in domestic markets too if domestic trade costs are too high.
Embedding a trade cost perspective at the centre of the Aid for Trade Initiative would provide an operational focal point for action among a broad collation of stakeholders. Advantages of a trade cost reduction target are that lowering trade costs is neutral in the sense of benefiting not just exporters but also importers and households. It should be left to governments in dialogue with stakeholders to identify which costs are most distorting, how best to reduce them; and how to use the varied forms of development finance provided by different providers. Such an approach would also allow for a critical assessment of the domestic regulatory framework which often stifles growth of the service sector. Finally such an action focused approach would allow for greater accountability for outcomes and even the introduction of innovative donor approaches such as cash-on-delivery and other forms of impact programming.

The new development paradigm under the post-2015 development agenda may require aid for trade to adopt a more integrated approach. Such an approach should ensure that aid for trade contributes to inclusive and sustainable development outcomes. That is, in addition to improving trade performance, the Aid for Trade Initiative should aim at positive social, economic and environmental impacts. The Aid for Trade Initiative is an essential component of the post-2015 development policy coherence jigsaw. This report has highlighted that this would be further advanced - notably the goal to eradicate extreme poverty - through a better understanding of how high trade costs undermine connectivity and hamper economic growth and development. Well-designed aid-for-trade interventions can be effective in reducing trade costs in areas that partner countries and donors prioritise, such as infrastructure, trade facilitation, and non-tariff measures like product standards. Furthermore, aid for trade can promote overarching green growth objectives. There are positive reasons to believe that developing countries and their partners are taking the area of trade costs seriously, that action in this area builds from solid practical and theoretical foundations and, most importantly, that it will be of service to the achievement of the proposed SDGs.

The full report can be accessed at: http://dx.doi.org/10.1787/aid_glance-2015-en

For more information on aid for trade visit:
www.oecd.org/dac/aft
www.wto.org/english/tratop_e/develop_e/aid4trade_e.htm
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, Chile, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The European Union takes part in the work of the OECD.

WORLD TRADE ORGANIZATION

The World Trade Organization (WTO) is the only global organisation dealing with the rules of trade between nations. At its heart are the WTO agreements, negotiated and signed by the bulk of the world’s trading nations and ratified in their parliaments. The goal is to help producers of goods and services, exporters, and importers conduct their business.

The WTO’s main activities are to:

- negotiate the reduction or elimination of obstacles to trade (import tariffs, other barriers to trade) and agreeing on rules governing the conduct of international trade (e.g. antidumping, subsidies, product standards, etc.)
- administer and monitor the application of the WTO’s agreed rules for trade in goods, trade in services, and trade-related intellectual property rights
- monitor and review the trade policies of its members, as well as to ensure transparency of regional and bilateral trade agreements
- settle disputes among its members regarding the interpretation and application of the agreements
- build capacity of developing country government officials in international trade matters
- assist the process of accession of some 30 countries who are not yet members of the organisation
- conduct economic research and collecting and disseminating trade data in support of the WTO’s other main activities
- explain to and educate the public about the WTO, its mission and its activities.

The WTO currently has 161 members, of which 117 are developing countries or separate customs territories.
WORLD BANK

The World Bank Group has set two goals for the world to achieve by 2030: end extreme poverty by decreasing the percentage of people living on less than $1.25 a day to no more than 3%; and promote shared prosperity by fostering the income growth of the bottom 40% for every country. In the area of trade and competitiveness, the World Bank Group helps countries achieve these two goals through rapid and broad-based economic growth, centred on strong contributions from the private sector. The World Bank Group is working in this area to help countries expand the volume and value of trade, enhance the investment climate, improve competitiveness in sectors, and foster innovation and entrepreneurship.

WORLD ECONOMIC FORUM

The World Economic Forum is an international institution committed to improving the state of the world through public-private co-operation in the spirit of global citizenship. It engages with business, political, academic and other leaders of society to shape global, regional and industry agendas. Incorporated as a not-for-profit foundation in 1971 and headquartered in Geneva, Switzerland, the Forum is independent, impartial and not tied to any interests. It co-operates closely with all leading international organisations.

ENHANCED INTEGRATED FRAMEWORK

The EIF is a unique global partnership that is dedicated to supporting the least developed countries (LDCs) to use trade as a tool for economic growth and poverty reduction through job and income opportunities. The EIF empowers LDCs to identify where and how trade can form an integral part of their national development strategies and assist them in harnessing Aid for Trade (AfT) towards this objective.

Through building trade capacity, the partnership works together to support the LDCs’ own drive to:

- identify and address the priority constraints to trade
- ensure trade directly supports the national development agenda
- set up institutional and co-ordination mechanisms for trade related technical assistance
- initiate policy reform and mobilise additional financial and technical resources to address priority trade needs.

The EIF provides country specific and customised support that addresses the full suite of trade capacity building needs. In its work, the EIF is guided by three core values, which ensure that the results delivered are sustainable, participatory and fully owned by all stakeholders:

INTERNATIONAL TRADE CENTRE

ITC is a multilateral agency fully dedicated to developing the international competitiveness of SMEs. As a joint agency of WTO and UN, ITC focuses on small business export success. ITC works especially in least developed countries, land-locked developing countries, fragile and post-conflict countries, Small Island Developing States and sub-Saharan Africa. We help to build vibrant, sustainable export sectors that provide entrepreneurial opportunities, particularly for women, young people and poor communities.
Focus areas for SME competitiveness include:

- Developing trade and market intelligence
- Building a conducive business environment
- Strengthening trade and investment support institutions
- Connecting to value chains
- Supporting regional integration and South-South linkages
- Mainstreaming inclusive and green trade

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD, which is governed by its 194 member States, is the United Nations body responsible for dealing with development issues, particularly international trade – the main driver of development. Its work can be summed up in three words: think, debate, and deliver. Reflection on development is at the heart of UNCTAD’s work. It produces analyses that form the basis for recommendations to policymakers. UNCTAD is also a forum where representatives of all countries can freely engage in dialogue and discuss ways to establish a better balance in the global economy. In addition, UNCTAD offers direct technical assistance to developing countries and countries with economies in transition, helping them to build the capacities they need to become equitably integrated into the global economy and improve the well-being of their populations.

UNCTAD holds a ministerial-level meeting every four years to discuss major global economic issues and to decide on its programme of work. Every two years, UNCTAD organises the World Investment Forum, which brings together major players from the international investment community to discuss challenges and opportunities and to promote investment policies and partnerships for sustainable development and equitable growth.
High trade costs inhibit the trade integration of numerous developing economies, slowing their economic growth and development prospects. Furthermore, these costs tend to weigh heaviest on the poorest economies, on the smallest firms and on trade in agricultural products. This publication calls for concerted action through the Aid for Trade Initiative to reduce these trade costs and contribute to achieving the emerging post-2015 development agenda.