

AIDFORTRADE

AT A GLANCE 2017



PROMOTING
TRADE,
INCLUSIVENESS
AND CONNECTIVITY
FOR SUSTAINABLE
DEVELOPMENT

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FOR SUSTAINABLE DEVELOPMENT



WORLD TRADE
ORGANIZATION



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FOREWORD

The Aid for Trade initiative was launched in 2005 with the aim of addressing the supply side and trade-related infrastructure constraints that often hamper developing countries' participation in global trade. We are proud that more than USD 300 billion has been disbursed for aid-for-trade programmes and projects since the Aid for Trade Initiative was launched. We note that 27% of this total has gone to least-developed countries and recall the ongoing challenges they face.

The analysis collected for this report, from developing and least developed countries, regional economic communities and their development partners, underscores that aid for trade results in inclusive trade and development outcomes. The positive impacts reported from Trade Facilitation Agreement implementation actions are encouraging.

Promoting inclusive trade for sustainable development requires us to improve connectivity—both physical and digital. Without connectivity, trade does not take place, and we are all poorer. More and better aid for trade must be mobilized to address this challenge. The 2030 Agenda for Sustainable Development gives the Aid for Trade initiative even greater relevance.

High trade costs price many firms out of markets and reinforce economic isolation. This is also evident in the digital networks that intertwine with physical trade infrastructure and which are integral to trade. Some 3.9 billion people are still offline, with only 1 in 4 people in Africa using the internet and only 1 in 7 people in LDCs.

The digital divide is also a market access divide. Without an affordable connection, individuals and firms cannot access the market place of the world-wide web. And without the necessary skills and regulatory environment in place micro, small and medium sized enterprises cannot thrive.

This needs to change. We must bridge these gaps in connectivity. Failure to act may reinforce existing inequalities between developed and developing economies, and within countries between women and men, rural and urban, and large and small firms.

This joint OECD-WTO publication, with contributions from other organisations, looks at what is being done today and what more needs to be done tomorrow to build the human, institutional and infrastructure capacities which will allow developing countries, and especially the least-developed, to benefit more from trade opportunities.



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ACRONYMS AND ABBREVIATIONS

2G	Second generation (of wireless mobile telecommunications technology)	COMESA	Common Market for Eastern and Southern Africa
3G	Third generation (of wireless mobile telecommunications technology)	Congo DPR	Democratic Republic of the Congo
4G	Fourth generation (of wireless mobile telecommunications technology)	CRS	Creditor Reporting System
A4AI	Alliance for Affordable Internet	DAC	Development Assistance Committee
AAAA	Addis Ababa Action Agenda	DFID	UK Department for International Development
ADB	Asian Development Bank	DRC	Democratic Republic of Congo
ADSL	Asymmetric digital subscriber line	DTIS	Diagnostic Trade Integration Study
AFD	French Development Agency	DTISU	Diagnostic Trade Integration Study Update
AfDB	African Development Bank	EABN	East Africa Broadband Network
AfT	Aid for trade	EASSy	Eastern Africa Submarine Cable System
AIFT	EU-Africa Infrastructure Trust Fund	EBRD	European Bank for Reconstruction and Development
APPEC	Asia-Pacific Economic Cooperation	EC	European Commission
APTTA	Afghanistan-Pakistan Transit-Trade Agreement	ECOWAS	Economic Community of West African States
ASEAN	Association of Southeast Asian Nations	EIB	European Investment Bank
ASYCUDA	Automated System for Customs Data	EIF	Enhanced Integrated Framework
B2B	Business-to-business	EU	European Union
B2C	Business-to-consumer	FA-PT	Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific
B2G	Business-to-government	FBA	Fulfillment by Amazon
BIGAN	Burundi Internet General Applications Network	FDI	Foreign direct investment
BOP	Balance-of-payments	FTA	Free Trade Agreement
BPM	Business process management	FYR Macedonia	Former Yugoslav Republic of Macedonia
BPO	Business process outsourcing	GATS	General Agreement on Trade in Services
C2C	Consumer-to-consumer	GATF	Global Alliance for Trade Facilitation
CAB	Central African Backbone	GB	Gigabyte
CAR	Central African Republic	Gbit(s)	Gigabit per second
CAREC	Central Asia Regional Economic Cooperation	GDI	German Development Institute
CARICOM	Caribbean Community	GDP	Gross domestic product
CBI	Centre for the Promotion of Imports, the Netherlands	GIF	Global Infrastructure Facility
CBTA	Cross-Border Transport Agreement	GIZ	<i>Gesellschaft für Internationale Zusammenarbeit</i>
CIS	Commonwealth of Independent States		

GNI	Gross national income	LDCs	Least developed countries
GPI	Gender Parity Index	LICs	Low income countries
GSMA	GSM Association	LIMCs	Lower middle income countries
GSR	Global symposiums for regulators	LLDCs	Landlocked developing countries
G2C	Government-to-citizen	LPI	Logistics Performance Index
GVC	Global value chain	LTE	Long-term evolution
HICs	Higher income countries	Mbit/s	Megabit per second
HTS	High-throughput satellites	MICs	Middle income countries
IADB	Inter-American Development Bank	MOOCs	Massive open online courses
ICT	Information and Communications Technology	mPOS	Mobile point-of-sale
IDA	International Development Association	MSMEs	Micro, small and medium enterprises
IDI	ICT Development Index	NCTTCA	Northern Corridor Transit and Transport Coordination Authority
IDS	Institute of Development Studies	NEPAD	New Partnership for Africa's Development
IFC	International Finance Corporation	NGO	Non-Governmental Organization
IMF	International Monetary Fund	NGSO	Non-geostationary satellite orbit
IMT	international mobile telecommunication system	OCTA	Association of the Overseas Countries and Territories of the European Union
IoT	Internet of Things	OECD	Organisation for Economic Co-operation and Development
IPCC	Inter-Governmental Panel on Climate Change	OECS	Organisation of Eastern Caribbean States
IPR	Intellectual property rights	OLICs	Other low income countries
ISCED	International Standard Classification of Education	OOF	Other official flows
IsDB	Islamic Development Bank	OPHDI	Oxford Poverty and Human Development Initiative
IT	Information technology	OSBP	One-stop border post
ITA	Information Technology Agreement	PIAAC	Programme for International Assessment of Adult Competencies
ITC	International Trade Centre	PIFS	Pacific Islands Forum Secretariat
ITF	International Transport Forum	PISA	Programme for International Student Assessment
ITFC	International Islamic Trade Finance Corporation	PPI	Private participation in infrastructure
ITU	International Telecommunication Union	PPIAF	Public-Private Infrastructure Advisory Facility
IXP	Internet exchange points	PTD	Post and Telecommunications Department
JICA	Japanese International Cooperation Agency	PPP	Purchasing power parity
Kbit/s	Kilobit per second	PPPs	Public-private partnerships
KFAED	Kuwait Fund for Arab Economic Development	PPPUSD	Purchasing power parity dollars
KNCCI	Kenya National Chamber of Commerce and Industry	PMR	Product market regulation
LAC	Latin America and the Caribbean	QoS	Quality of service
Lao PDR	Lao People's Democratic Republic		

RECs	Regional economic communities	UPS	United Parcel Service
SADC	Southern African Development Community	UPU	Universal Postal Union
SATA	South Africa Telecommunications Association	USAID	United States Agency for International Development
SDG	Sustainable Development Goal	USD	United States Dollar
SIDS	Small island developing states	VAT	Value Added Tax
SIECA	<i>Secretaría de Integración Económica Centroamericana</i>	WAPP	West Africa Power Pool
SMEs	Small and medium enterprises	WB	World Bank
SPS	Sanitary and phytosanitary	WBG	World Bank Group
SSL	Secure sockets layer	WCO	World Customs Organisation
ST-EP	Sustainable tourism-eliminating poverty	WEF	World Economic Forum
STRI	Services Trade Restrictiveness Index	WiMAX	Worldwide interoperability for microwave access
TBT	Technical barriers to trade	WOUNET	Women of Uganda Network
TFA	Trade Facilitation Agreement	WSIS	World Summit on the Information Society
TFP	Total factor productivity	WTO	World Trade Organization
TIP	Telecom Infra Project	WTR	World Trade Report
TiVA	Trade in value added		
TMEA	TradeMark East Africa		
TRIPS	Trade-Related Aspects of Intellectual Property Rights		
UK	United Kingdom		
UMICs	Upper middle income countries		
UN	United Nations		
UNCITRAL	United Nations Commission on International Trade Law		
UNCTAD	United Nations Conference on Trade and Development		
UNDP	United Nations Development Programme		
UNECA	United Nations Economic Commission for Africa		
UNECE	United Nations Economic Commission for Europe		
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific		
UNESCO	United Nations Educational, Scientific and Cultural Organization		
UNESCO	United Nations Educational, Scientific and Cultural Organization		
UNIDO	United Nations Industrial Development Organization		
UNWTO	United Nations World Tourism Organization		

EXECUTIVE SUMMARY

This is the sixth edition of the *Aid for Trade at a Glance* publication. Since 2007, successive editions of this flagship publication have shed light on the steps being taken by developing country governments and their development partners to leverage trade for development. The 2017 edition adds further weight to the already substantial body of evidence highlighting the effectiveness of aid for trade. It focuses on how and why trade connectivity is critical for inclusiveness, sustainable growth and poverty reduction. It is intended to inform both practice and policy regarding aid for trade's contribution to the 2030 Agenda for Sustainable Development.

Almost USD 300 billion has been disbursed for aid-for-trade support since the Aid for Trade Initiative was launched. Some 146 developing countries have received aid for trade, mainly in Asia (41.5%) and Africa (38.7%), with 27% of the total going to LDCs. Regional and global programmes attracted almost 15% of total disbursements. More than three-quarters of total disbursements have gone to four sectors: transport and storage (28.6%), energy generation and supply (21.6%), agriculture (18.3%), and banking and financial services (11.1%).

Physical connectivity enables the movement of goods and services to local, regional and global markets. Digital connectivity now intertwines with physical connectivity. Digital networks have rapidly become integral to global trade, and offer opportunities for growth as a market place. Accessible and affordable digital connections are indispensable for trade connectivity. Yet the Internet remains unavailable to 3.9 billion people globally, many of whom live in the least developed countries (LDCs).

The 2030 Agenda for Sustainable Development includes targets for universal and affordable access to the Internet. Mobile broadband networks are now available for more than 50% of the population in LDCs, but digital devices and fixed network connections remain high in price, and limited in coverage. Affordability remains a key barrier to higher levels of ICT use.

The digital divide can also be viewed as a market access divide with the cost of digital connections as trade costs. Firms and consumers that are offline are locked out of the opportunities offered by the rapidly expanding market for goods and services purchased or supplied online. Lack of digital connectivity reinforces economic isolation.

Actions to boost connectivity are being undertaken by a broad range of countries at all levels of development. Measures should be taken to influence both the supply side (e.g. ICT infrastructure and network coverage availability) and the demand side (e.g. affordability and usage) of digital connectivity. National co-ordination mechanisms and strategies frequently miss perspectives and inputs from trade officials. In many countries where connectivity is lagging, more could also be done to improve the enabling trade environment for digital connectivity.

To bridge the digital divide additional finance must be mobilized to support the development of network infrastructure, dynamic ICT services markets, and adequate regulatory environments. Financing is essential to help develop affordable, reliable ICT infrastructure, and build up related services offerings, especially for under- or un-served populations. Bridging the digital divide also requires policies that increase ICT access and use. Aid for trade is supporting governments in these efforts, and demand is expected to grow.

Border clearance delays and inadequate physical infrastructure also obstruct e-commerce. At the border, the digitalisation of customs and border agencies can support efficient customs services. Behind the border, the provision of efficient trade logistics still matters and is arguably even more important in an increasingly digital world. A priority for micro, small and medium sized enterprises (MSMEs) that emerges from the report is the need for action to streamline customs procedures for these firms. The coming into force of the WTO Trade Facilitation Agreement (TFA) will arguably address many of these concerns.

The TFA is a powerful tool to reduce trade costs. Trade facilitation tops the aid-for-trade priorities of both developing countries and their development partners, albeit in a broader conception that also includes physical connectivity, such as transport corridors, and digital connectivity too. There is also growing evidence of the positive impact of aid for trade in tackling border bottlenecks and contributing to inclusive trade outcomes.

The role of services trade in promoting connectivity is growing. Services provide the basic infrastructure to support trade in goods, facilitate supply chains, provide significant value added to manufacturing activities, and form the backbone infrastructure that enables e-commerce and the growing online supply of services. Services trade policies can enhance (or hinder) connectivity and thus access to the benefits of integration into the international trading system.

Governments together with other stakeholders have a central role in developing e-commerce strategies not only around ICT infrastructure, but also including trade logistics, e-commerce skills, legal frameworks, payment solutions and access to financing. Access to a digital connection is a necessary, but not a sufficient condition to engage in e-commerce. Actions by developing country governments to boost connectivity needs to be complemented by action in these areas if they are to make the most of e-trade opportunities for generating economic growth, job creation and poverty reduction.

Digital connectivity promises productivity gains across all areas of the economy, including traditional sectors like agriculture. Developing countries and the least developed can use e-trade as a productivity lever and device for trade connectivity. Digital connectivity helps connecting MSMEs and women-owned enterprises to customers and suppliers around the world. A significant connectivity gap exists between large and small firms, notably in low income countries and LDCs. The Internet may reinforce existing inequalities of access, such as those between women and men, rural and urban, and large firms and small firms. Policy makers should scale up access and training programmes to tackle this risk.

The publication sheds light on various examples of how the private sector is helping MSMEs, women, and rural populations to connect to the global economy. The private sector is vital to bridging the digital divide and more should be done to solicit their views on policy choices and public investment, and promote public-private collaboration for boosting connectivity. Moving ahead, both developing countries and their development partners expect a scaling up of digital connectivity and e-commerce programmes.

Findings show that the better the physical and digital connectivity, the more it contributes to market access, financial inclusion, women's economic empowerment and poverty reduction. These impacts get amplified when the public and private sector work together to build the institutional and physical capacity to help the poor connect and compete.

The experience of some LDCs demonstrates that investing in efforts to improve ICT brings benefits for trade and economic development. When LDC governments together with key stakeholders including the private sector, and international donors work together to focus development finance on trade inclusiveness for sustainable development inclusion, much can be achieved. ■