

Conclusion

The results of the 2022 OECD–WTO monitoring and evaluation (M&E) exercise underline the need for more Aid for Trade and for better-targeted financing. They confirm that the COVID-19 pandemic was a significant setback for the integration into world trade of many developing countries and for their development prospects, especially for least-developed countries (LDCs).

The consequences of the pandemic continue to affect the trade prospects of many developing countries, often in unpredictable ways. Many of the lowest-income countries are struggling with debt combined with inflationary pressures that hamper imports of essential supplies. In addition, these pressures have been heightened by the crisis in Ukraine.

It is against this sombre background that the Aid for Trade Initiative seeks to address the trade-related constraints faced by developing countries and LDCs and to help them to transition to clean and sustainable energy in a low-carbon economy.

The COVID-19 pandemic has underscored many of the trade and development challenges that developing countries and LDCs face. Promoting export diversification, attaining international competitiveness, building productive capacity and connecting to global value chains (GVCs) all remain high on the agenda of partner countries as Aid for Trade priorities. However, the mixed economic outlook provides a challenging environment in which to achieve these goals, particularly where there is also fiscal pressure on donors' aid budgets.

In spite of the COVID-19 pandemic, trade remains a development priority for both partner countries and donors, emphasizing the need for more Aid for Trade and for better-targeted financing. Trade is integral to supporting

economic recovery from the pandemic and to medium and long-term economic growth and development. Hence, trade facilitation is the most frequently cited Aid for Trade priority by all participants in the 2022 M&E exercise.

However, the nature of trade is changing, as digitalization drives growth in e-commerce. The COVID-19 pandemic has accelerated digital connectivity uptake and e-commerce growth, producing a connectivity boost to developing



countries and LDCs. However, the rapid growth in demand for digital connectivity and services has exposed shortcomings in basic connectivity, coverage, affordability of connection and levels of technical skill. The digital divide remains wide, both between and within countries, with women and businesses owned by women particularly affected, leading to social exclusion and lost trade opportunities.

The 2022 M&E exercise reveals the growing awareness among both partner countries and donors of the risks associated with climate change. The development and trade strategies of developing countries consequently increasingly refer to the environment. However, the transition to environmentally sustainable (green) growth is still at an early stage.



Commitments made by donors and south-south partners to support the transition to a low-carbon economy will further expand Aid for Trade financing to mitigate the effects of climate change and to align official development assistance with the Paris Agreement on climate change. Aid for Trade will increasingly become more important in helping countries grapple with the effects of global warming.

More financing is becoming available, including in the form of public-private partnerships. Nevertheless, there is still considerable scope to expand Aid for Trade financing for digital connectivity and e-commerce, including digitalizing government, services, the economy and industry, and teaching digital skills and literacy.

Aid for Trade is a powerful tool for advancing women's economic empowerment. Aid for Trade initiatives are improving at how programmes address new challenges and break down traditional obstacles women face. To maximize the efficacy of gender-related Aid for Trade programmes, women must play a part in their design, implementation, monitoring, evaluation and assessment. Advancing women into leadership positions in the public and private spheres is essential to ensure that gender equality is meaningfully integrated in policy and decision-making. Gender equality can also provide additional benefits to organizations, helping them improve performance and productivity.

Aid for Trade can strengthen women's access to trade opportunities. It is, therefore, crucial to address obstacles faced by women in trade and to tackle new challenges linked to the COVID-19 pandemic and climate change. Gender-related Aid for Trade programmes could also combine impact assessment with sex-disaggregated data to capture the outcomes of these programmes more fully.

Goods for export are loaded on the afternoon ferry, Tanna Island, Vanuatu

Future Aid for Trade priorities

Based on the analysis of the M&E questionnaire responses, the following areas and issues are priorities for the Aid for Trade Initiative for 2022 and the coming years.



Trade facilitation

Facilitating the movement of good across borders is the most frequently cited priority. Aid for Trade which supports trade facilitation, such as digitizing customs procedures, coordinating border management and improving transparency, is crucial in mitigating the COVID-19 pandemic's impact on trade and economies – an impact that has fallen heavily on MSMEs.



Sustainable growth

The 2022 M&E exercise reveals the growing awareness of the risks associated with climate change, with the trade strategies of developing countries increasingly referring to environmental issues. However, the transition to environmentally sustainable (green) growth, including the circular economy, is still at an early stage. The Aid for Trade Initiative can play an important role by helping developing countries and LDCs integrate environmental issues into their trade objectives and pursue the transition to a low-carbon economy.



Low-carbon growth

Commitments made by donors and south–south partners to support the transition to a low-carbon economy are helping to align official development assistance with the Paris Agreement on climate change. Aid for Trade will need to focus more on mitigating and adapting to the effects of global warming.



Women's economic empowerment

Aid for Trade is a powerful tool for advancing women's economic empowerment. While Aid for Trade programmes increasingly address gender issues, more can be done to tackle the obstacles women face in participating in international trade.



Export diversification

Aid for Trade programmes which focus on improving export diversification in specific sectors, such as agriculture, are of particular benefit to landlocked developing countries and LDCs. Such programmes will need to become more climate sensitive.



Global value chains

GVCs are an important driver of economic prosperity and poverty reduction, but they were particularly badly affected by the COVID-19 pandemic. Helping developing countries participate in GVCs is a key element of Aid for Trade.



E-commerce

Aid for Trade donors are providing increasing levels of funding for digital connectivity and e-commerce programmes. The COVID-19 pandemic has prompted an unprecedented surge in digital connectivity and e-commerce growth. Aid for Trade can help developing countries integrate digital connectivity and e-commerce into their national development strategies.



Micro, small and medium-sized enterprises (MSMEs)

MSMEs account for 95 per cent of all firms. Aid for Trade can play a role in improving economic resilience of MSMEs and in helping them access international markets and new business opportunities.



Public–private sector engagement

Engagement between the public and private sector to help finance the transition to a low-carbon economy is on the rise. This is an area where Aid for Trade can play a catalytic role by helping to mobilize finance for green infrastructure and by helping the private sector seize opportunities in the low-carbon economy. The same trends and conclusion are apparent in the digital economy – an area where e-government also has an important role to play in shaping e-commerce growth.



Development financing

More financing is becoming available, including in the form of public–private partnerships. Nevertheless, there is significant scope for donors and south–south partners to expand financing for public–private partnerships. Climate finance is increasingly intertwined with Aid for Trade financing, notably in the area of renewable energy infrastructure.



Gender-related programmes

Women must be part of the decision-making process in the design, implementation and assessment of gender-related programmes in Aid for Trade.



Trade data broken down by gender

Aid for Trade can strengthen women's access to opportunities created by trade. It is crucial to address obstacles faced by women in trade, especially new challenges linked to the COVID-19 pandemic. Aid for Trade programmes which provide data broken down by gender can capture more fully the outcomes of targeted financing.