



SUMMARY OF THE WORKSHOP ON THE 2019 AID-FOR-TRADE MONITORING & EVALUATION EXERCISE

20 MAY 2019

1. On 5 February 2019, the Committee on Trade and Development (CTD) held an Aid-for-Trade workshop chaired by H.E. Mr. Chad Blackman, Ambassador of Barbados, to preview the draft 2019 Aid for Trade at a Glance publication. This year's edition is entitled "Supporting Economic Diversification and Empowerment". It will be formally launched at the Aid for Trade Global Review on 3 July 2019. The workshop featured technical presentations of the nine chapters of the publication.

2. Introducing the publication, the WTO Secretariat highlighted that it spoke to the fundamental rationale of the Aid-for-Trade Initiative, namely economic diversification and empowerment. **A first presentation discussed insights from the information collected by the joint OECD-WTO Aid-for-Trade monitoring and evaluation (M&E) exercise**, that underpins the publication (Chapter 1). A total of 133 responses had been received, of which 38 were submitted by least developed countries (LDCs), marking the highest LDC response rate ever received since the launch of the Aid-for-Trade Initiative.

3. Economic and export diversification emerged strongly as a core objective in the trade and development strategies of developing countries, particularly LDCs and landlocked developing countries (LLDCs). Encouraging progress in economic diversification had been reported by survey respondent governments, but it was not uniform or universal. At a sectoral level, most export diversification progress had been reported in agriculture. Much work remained to be done to overcome challenges. Inherent challenges specific to the LLDCs and small economies were discussed. The Secretariat emphasized that economic empowerment served not only as an outcome of economic diversification but also a catalyst to this process. Diversification could be stimulated through investment in human capital and skills, thereby enabling youth, women, and micro, small, and medium-sized enterprises (MSMEs) to engage in productive activities and international trade.

4. **Aid-for-Trade financing and flows was the focus of a presentation by the Organisation for Economic Co-operation and Development (OECD)** (Chapter 2). A total of US\$409 billion has been disbursed in official development assistance to help developing countries build trade capacities since the launch of the Aid-for-Trade Initiative. Low-income countries received most concessional flows. In 2017, Aid-for-Trade commitments had reached US\$57 billion. At a per capita level, LDCs received the highest transfers, some US\$25.3 in official development finance, compared to US\$11.5 for upper middle-income countries. Empirical findings suggested that Aid-for-Trade support had helped developing countries improve their competitiveness and expand their trade. The M&E exercise highlighted that support in trade facilitation had been particularly impactful for economic diversification and empowerment with the alignment of priorities between donors and partner countries identified as a top success factor.

5. Comments from the floor referred to the results presented on LLDCs and highlighted pertinent challenges specific to this country group, including high trade costs and having no direct coastal access to the sea. The situation of landlocked LDCs was also referenced. Others raised challenges facing LDCs including the limited ability to process resources and limited access to finance. One participant underscored the need to craft concrete solutions to target the constraints identified by partner developing countries. Discussions explored ways to tap into development assistance, strengthen the capacity of LDCs to fully benefit from the flexibilities accorded to them, reinforce engagement with the private sector, better align priorities with partner countries, and support LDCs and MSMEs to boost their exports. A suggestion made was to examine Aid-for-Trade financing to the development of pharmaceutical manufacturing capacity in LDCs.

6. A presentation made by United Nations Industrial Development Organization (UNIDO) argued for an expansion of manufacturing activity (Chapter 3). Manufacturing linkages to the economy was a major driver to poverty reduction and a traditional pathway for economic diversification. The presenter underscored the need to focus policy on manufacturing so as to promote sectoral interlinkages. Three sectors were listed as the top sectors offering the best prospects in manufacturing, namely food and beverages, wearing apparels, and textile as they exhibited fast growth and accounted for a large share of manufacturing value added in an early stage of development. In light of digitalization, the presenter noted that some sectors and activities were more prone to automation than others. UNIDO was also somewhat sceptical as to near-term influence of on-shoring on manufacturing location. To conclude, the presenter reiterated the need to put in place appropriate industrial policy to promote inclusive and sustainable development.

7. Economic diversification in the context of fragile and conflict-affected areas was the focus of a joint presentation by United Nations Development Programme (UNDP) and the Enhanced Integrated Framework (EIF) (Chapter 4). They discussed how Aid for Trade could be more effective in ensuring greater coherence between humanitarian, development and peacebuilding efforts. In examining economic diversification in LDCs, the presenter highlighted that LDCs' share in world exports remained low with many still relying on natural resources -- characteristics further accentuated in the fragile context. The share of ODA for financing peacebuilding and state-building goals for G7+ LDCs was higher than LDCs in politics, security, and justice. From the trade perspective, it was highlighted that reducing instability linked to trade shocks could contribute to reducing violence and conflict. To conclude, greater attention to the local context, and peacebuilding and state-building were identified as key factors in designing future Aid-for-Trade programs in fragile contexts.

8. The World Bank then discussed the experience of economic diversification from a policy mix perspective, arguing that there is no one path to diversification (Chapter 5). The presenter argued that a multi-pronged approach targeting agriculture, manufacturing, and services was needed to sustain diversification given their interdependencies. Knowledge and skills were highlighted as key factors needed to mobilize labour across sectors and embrace changes, including those introduced by technology. Nurturing small firms to grow may help because the export propensity of a firm increases as a firm grew, creating jobs for youth and increasing their capacity to absorb labour. Transition across sectors went beyond the need for skills, to the need for appropriate policies such as labour market reform. In addition, countries that had pro-competitive policies tended to be more diversified. To conclude, the presenter reiterated that policy design should be attuned to the specificities of countries as there was no one size fits all approach to economic diversification.

9. Discussions from the floor touched on access to energy, industrialization in Africa, the implications of shifting from agriculture to services, and industrial contribution to GDP. In addition, factors needed to successfully transform agricultural production such as standard compliance and investment in quality infrastructure were discussed. It was reiterated that the scope for a country to industrialize is contingent on a number of factors including size, distance to market, and connectivity among others.

10. A further World Bank presentation focused on trade facilitation and analysed how Aid for Trade is supporting the implementation of the WTO Trade Facilitation Agreement (TFA), tracking where progress had been made and the impacts of reforms (Chapter 6). The presenter highlighted that the level of alignment with the TFA was increasing, with notable improvements in the publication of measures, automation and streamlining of procedures and engagement with the trade community. Positive impacts from these Aid-for-Trade supported reforms had been registered with the reduction of documents or clearance times. Looking ahead, the presenter suggested that facilitation of e-commerce be considered given the potential this market held for developing country firms.

11. Global economic trends may be entering a period of "slowbalisation" in the view of UNCTAD and characterized by slower growth, or contraction, of trade, FDI and capital flows (Chapter 7). This shift called for a new focus including on services, which had been shown to hold growth potential either through direct exports or embedded as inputs. The potential of South-South intraregional trade for diversification was also underscored. To conclude, the presenter pointed out that regional regulatory cooperation could help export diversification, but its process was complex as well as time-consuming, providing a rationale for Aid-for-Trade support.

12. International Trade Centre (ITC) discussed the twin problems of youth unemployment and SMEs' difficulties in finding skilled labour and recommended that these

should be solved together (Chapter 8). Youth are a large and growing proportion of the population in many developing countries. Small firms in developing countries hired youth and provided on-the-job training and experience. Youth, in turn, could help increase the exports of developing countries by boosting the human capital of firms, creating a win-win opportunity. The presentation highlighted that Aid for Trade in youth economic empowerment, focusing on skill building and alignment, could promote trade for development.

13. Women's economic empowerment was the subject of the final presentation by OECD and identified as a key driver for sustainable development (Chapter 5). The proportion of Aid for Trade that integrated gender perspectives within all Aid for Trade, expanded from 9% in 2006-07 to 24% in 2016-17. Areas believed to best support women's economic empowerment included vocational training, agriculture, and business.

14. Comments on the presentations covered challenges for youth, land issues as a constraint to women's economic empowerment, the survival of micro-projects, and setting up business ecosystem support.

15. Copies of the PowerPoint presentations made on the day and a podcast of the Aid-for-Trade workshop are available at www.wto.org/aidfortrade.
