
INFORMAL REPORT ON THE JOINT WTO AND OECD WORKSHOP ON THE 2017 AID FOR TRADE MONITORING AND EVALUATION EXERCISE

30 May 2017

On 30 May 2017, the Committee on Trade and Development held a workshop to preview the draft Aid for Trade at a Glance publication, titled "Promoting Trade, Inclusiveness and Connectivity for Sustainable Development". The joint OECD-WTO 2017 publication is authored this year by a total of eight organizations: OECD and WTO (as the joint publishing partners), the Business for eTrade Development, the Enhanced Integrated Framework (EIF), International Trade Centre (ITC), International Telecommunications Union (ITU), the United Nations Conference on Trade and Development (UNCTAD), and the World Bank Group (WBG). The publication will be formally launched at the Aid for Trade Global Review on 11-13 July 2017.

The **WTO Secretariat** set the scene by giving an overview of the 2017 monitoring and evaluation exercise, on which the At a Glance report is based. The presenter highlighted the alignment in Aid for Trade prioritization of trade facilitation by both developing countries and financing partners. Trade Facilitation was also being considered in a broad sense, one that included hard infrastructure too. Digital networks were an increasingly central element to trade facilitation and trade connectivity. These networks are now intertwined with physical infrastructure networks and integral to the conduct of trade. The digital divide could also be considered a market access one, and the cost of digital connections could be considered a trade cost. He stressed that so-called "offline" trade costs, or those associated with physical trade, such as transport and logistics costs, remained an insurmountable hurdle for many firms. Both developing countries and their financing partners expect demand for Aid-for-Trade support to address connectivity to grow.

OECD and **UNCTAD**, in their co-authored chapter, focused their analysis on connectivity and logistics chains, highlighting the importance of overcoming traditional barriers in order to support the physical delivery of goods. The presenter stated that digitization is influencing the operation of customs and other border agencies. While digitisation and data flows are important for logistics networks, information flows throughout logistics supply chains require the coordination of a large range of actors. Interoperability of data systems was cited as a key constraint.

The **WTO Secretariat** in its presentation on services policies and their contribution to trade development acknowledged the difficulties that developing countries face, and especially LDCs in connecting to the global economy. The presenter noted that services trade policies can play a fundamental role in helping developing countries meet SDG-related financing needs. He added that services trade costs and services trade restrictions are still high and that restrictive policies and poor regulatory environments limit the development of competitive services sectors. Trade policy and aid for trade can contribute to trade development by supporting efforts to create an enabling environment for services markets.

Commending the quality of the analysis produced, one Member recalled the experience of his region with regard to market structures in the telecom sector and stressed the challenge of maintaining competitive balance and promoting innovation within small markets.

ITU stated that 2006 to 2016 has been a decade of strong growth for Information and Communication Technologies (ICTs). The presenter suggested that LDCs are not catching up fast enough to ICT development. Mobile broadband, she noted, is growing and driving development but remains inferior in terms of speed, latency and capacity. Connectivity bottlenecks can be addressed by creating an enabling environment, removing entry barriers, and developing ICT or Broadband plans to set, target, track and monitor implementation. She underscored that efforts to bridge the digital divide needed to work on both the supply and the demand side, in particular by addressing affordability and skills. This point, she underscored, by noting that while 50% of the population in LDCs have digital access, only 15% are connected.

UNCTAD highlighted that it takes more than digital connectivity to engage in e-commerce. To enhance the e-commerce readiness of developing countries, access to affordable ICT infrastructure needs to be improved, online and mobile payment solutions need to be facilitated, and trade facilitation and logistics need to be adapted to e-commerce. Development assistance through multi-stakeholder initiatives can raise awareness on e-commerce opportunities and challenges, and mobilize resources to address constraints. The presenter called for additional Aid-for-Trade resources to be devoted to this issue.

ITC gave further detail on the consequences of the digital divide for small and medium sized enterprises. An SME connectivity gap was identified. Small firms are 10 times less likely to use email to communicate with buyers and sellers than large firms, and are 8 times less likely to have a business website than large firms. The gap also had an important gender dimension. The gaps in usage widened further for women-managed firms who are 12 times less likely to use email than firms managed by men. SMEs in developing countries that invest in digital technologies see productivity gains of about 10%. Ensuring access to connectivity-related technologies such as the Internet, mobile networks, and online banking are among the innovations critical for small firms to take advantage of e-commerce.

EIF noted that key constraints to improving connectivity in LDCs are lack of infrastructure, lack of digital skills, and high costs, in addition to policy-related barriers. The presenter reiterated the aim of SDG 9.C which is to "significantly increase access to information and communication technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020". She further highlighted the importance of competition, independent regulators, and the regulatory environment more generally, for connectivity. The EIF is supporting LDCs to address some of the connectivity challenges by providing institutional support, evidence-based analytical work, and reducing supply side constraints.

OECD discussed trends in Aid for Trade financing. The presenter highlighted that between 2006 and 2015, 155 billion USD had been disbursed in economic infrastructure, 134 billion USD in building productive capacity, and 9 billion USD for trade policy and regulation. OECD calculates that more than 298 billion has been disbursed since 2006. Development assistance remains an important source of financing for developing countries. One Member highlighted the infrastructural financing deficit and its harmful effect on African growth and trade. Another sought more information on the prioritization of ecommerce and trade facilitation in Aid for Trade support and a clarification on the focus of a case story for a regional grouping.

WTO discussed the relationship between poor physical and digital connectivity and incidences of poverty. Improvements in soft and hard infrastructure are reducing the time and cost to trade, and connecting the rural poor, farmers and women to trade and income-generating opportunities. Digital connectivity is an enabler of inclusive development, but limited infrastructure and high costs to connect can limit the poor's participation in the digital economy. Most partner countries believe that aid for trade can contribute to poverty eradication efforts, and are also working with various stakeholders to achieve their development objectives.

The World Bank Group highlighted the enabling conditions for ecommerce, including telecommunications infrastructure, a conducive business environment, and the availability of skilled human resources. The presenter stressed the strong correlation between education and ecommerce participation. He cited examples of World Bank support and noted that international development assistance has been a valuable tool in supporting the development of telecoms infrastructure – with aid for trade in support of digital connectivity averaging between USD 650 million and 700 million annually.

A question was asked by one Member about the practical issues faced by firms. **Business for eTrade Development** explained the regulatory challenges facing the private sector, based on business surveys of e-commerce development obstacles. Companies that sell online are more likely to export, and to more export markets than their offline peers, making the internet an entry point for international trade. Payments and logistics ranked highest among the main constraints facing small firms. Growth in sales and employment of up to 30% would be registered if these constraints were removed. Innovate financing models were suggested to address these concerns.

In closing the workshop, the Secretariat announced that the Aid for Trade at a Glance and its pocket edition would be launched online at the Global Review. The chair provided a brief summary of the key points of each presentation and reiterated the appreciation expressed by some Members for the quality of the analysis produced. The presentations and a podcast of the workshop will be made available on the WTO website.
