

**Committee on Trade and Development
Aid for Trade**

**AID-FOR-TRADE WORK PROGRAMME¹
2018-2019**

**SUPPORTING ECONOMIC DIVERSIFICATION AND EMPOWERMENT FOR INCLUSIVE, SUSTAINABLE
DEVELOPMENT THROUGH AID FOR TRADE**

1 OVERVIEW

1.1. The Hong Kong Ministerial Declaration of December 2005 states that: "Aid for Trade should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade". Ministers at MC6 invited the Director-General to constitute a Task Force to draw up recommendations on how to operationalize Aid for Trade. The Task Force reported in July 2006.²

1.2. The Aid-for-Trade Work Programme for 2018-2019 will further develop themes that emerged during the Aid for Trade Global Review 2017 through a focus on "Supporting economic diversification and empowerment for inclusive, sustainable development through Aid for Trade".

1.3. The new Work Programme will seek to further develop analysis on how trade can contribute to economic diversification and empowerment, with a focus on eliminating extreme poverty, particularly through the effective participation of women and youth, and how Aid for Trade can contribute to that objective by addressing supply-side capacity and trade-related infrastructure constraints, including for Micro, Small and Medium-sized Enterprises (MSMEs) notably for those MSMEs in rural areas. Other issues to be developed during the Work Programme will include industrialization and structural transformation, digital connectivity and skills, as well as sustainable development and access to energy.

1.4. The focal point of the Work Programme will be the Aid for Trade Global Review in mid-2019 - the seventh that will have been undertaken since 2007. The Review will be based on a monitoring and evaluation (M&E) exercise.³

1.5. In addition to formal meetings, a series of thematic workshops are also planned under the auspices of the Committee on Trade and Development (CTD). Taken together and individually, these activities will continue to support implementation of the 2030 Agenda for Sustainable Development and relevant Programmes of Action.⁴ Aid for Trade should be rendered in a coherent manner taking full account, *inter alia*, of the gender perspective and of the overall goal of sustainable development.

¹ This Work Programme is issued under the responsibility of the Chair of the Committee on Trade and Development.

² Recommendations of the Task Force on Aid for Trade, WT/AFT/1, 27 July 2006.

³ Focusing on Aid-for-Trade financing of trade policy and regulation, trade development, trade-related infrastructure, building productive capacity, trade-related adjustment and other trade-related needs.

⁴ Including, *inter alia*, the Vienna Programme of Action for Landlocked Developing Countries (<http://unohrrls.org/about-lllcs/programme-of-action/>), the Samoa Pathway (<http://www.sids2014.org/samoapathway>) and the Istanbul Programme of Action (<http://unohrrls.org/about-lllcs/istanbul-programme-of-action/>). We further note that the 2019 United Nations High-level Political Forum on Sustainable Development is titled: "Empowering people and ensuring inclusiveness and equality".

1.6. The objective of the Aid-for-Trade Initiative, as stated in its mandate, is to help developing countries and in particular least developed countries, to build the supply-side capacity and trade-related infrastructure that they need to implement and benefit from WTO agreements and to expand their trade. These are objectives that are aimed towards poverty eradication which is one of the building blocks of sustainable development. One conclusion emerging from the "Aid for Trade at a Glance 2017" publication is that to reduce poverty, the costs of trade connectivity need to be addressed in order to enable the poor to participate in the global economy.⁵ All Members wish to see Aid for Trade contribute to positive achievements in poverty eradication.

2 WORK PROGRAMME - AREAS OF FOCUS

2.1. More than half the world's population is under the age of 30. Between 2012 and 2020 almost 1.1 billion young job-seekers are expected to enter the employment market.⁶ Many of these job-seekers will enter the workforce in least developed countries (LDCs) whose population is projected to increase 39% between 2015 and 2030. In Sub-Saharan Africa, 60% of the population is under the age of 24 and by 2030, the continent's working-age population is set to increase by two-thirds, from 370 million adults to over 600 million.⁷

2.2. Meeting the demand for work and employment from young people entering the labour force is neither a new challenge, nor one that governments have found easy to address. Historically, young people have been disproportionately more affected by unemployment than their adult counterparts. Unemployment among young people has exhibited an upward trend over the last 25 years; it declined in many countries in the early 2000s but then proceeded to rise again during the Great Recession. The youth unemployment rate is almost three times higher than is the case for adults.⁸

2.3. Addressing the challenge of youth employment was a theme highlighted across various thematic sessions at the Aid for Trade Global Review 2017, including those on industrialization, digital economy, skills, and the Sustainable Development Goals (SDGs). Demographic trends in many low-income countries add to the urgency of addressing the issue of jobs and work.

2.4. Young women are disproportionately affected by youth unemployment.⁹ This reflects a broader challenge related to women's economic empowerment. Across the global economy, traditionally, women's unemployment rates have also been higher than those of men in most countries. In addition to the risk of discrimination in the workplace, women face an array of obstacles in terms of access to training, skills and financing.

2.5. The digital divide comprises a significant female dimension. This message emerges strongly at the Global Review and in the accompanying "Aid for Trade at a Glance" publication. International Telecommunication Union (ITU) data on internet use indicates a very clear divide between men and women. In the vast majority of countries, the proportion of men using the internet is higher than the proportion of women. Women are less likely to be connected to the internet or to have the skills and expertise to use that connectivity to engage in e-commerce. One indicator of these issues is the finding that the exporter productivity premium of women-owned firms tends to be roughly half the size of comparable men-owned firms.¹⁰ Research by the World Bank and WTO also highlighted that trade costs tend to fall excessively heavily on female traders, who are often in the informal sector.

2.6. Research on high-growth firms in developing countries highlight that they tend to play a disproportionately large role in job creation. Such firms tend to be small in size (less than ten employees) and young in existence (i.e. less than ten years old). High-growth firms exist across all

⁵ See chapter 12, "Aid for Inclusive Trade and Poverty Reduction" in Aid for Trade at a Glance 2017

⁶ Work for Human Development, Human Development Report 2015, United Nations Development Programme, http://hdr.undp.org/sites/default/files/2015_human_development_report.pdf.

⁷ The World Population Prospects: 2015 Revision, United Nations Department of Economic and Social Affairs, <http://www.un.org/en/development/desa/publications/world-population-prospects-2015-revision.html>.

⁸ "World employment and social outlook: Trends 2015", International Labour Office 2018.

⁹ ILO 2018 op. cit.

¹⁰ "Closing the Small-Business and Gender Gap to Make Trade More Inclusive", International Trade Centre in "Aid for Trade at a Glance 2017: Promoting Trade, Inclusiveness and Connectivity for Sustainable Development".

sectors, both services and manufacturing.¹¹ Targeting factors that support growth of these firms, including their internationalization, may help address both employment and also supply-side capacity constraints. This insight again feeds into a broader narrative on MSMEs. On this topic, there is an opportunity to update and extend the work undertaken as part of the 2014-2015 Work Programme¹² on the topic of "Aid for Trade and SME competitiveness: Connecting Developing Country SMEs to Global Value Chains".

2.7. Another factor that emerged strongly from the Aid for Trade Global Review 2017 is the challenge of achieving export diversification, the transformation and promoting of rural economy, and supply-side capacity growth at a time of unprecedented speed of technological change in the global economy, driven by digital connectivity and growth in e-commerce. The World Trade Report 2017 discusses the challenge of "Trade, Technology and Jobs" in depth. Skills are an area which it identifies as critical. One finding is that trade and technology both increase the demand for skills in advanced economies and lead to upskilling in developing economies as trade supports the spread of new technologies and different production practices.

2.8. The skills issue emerged strongly from both the Global Review and the "Aid for Trade at a Glance" publication; it also feeds back into the question of youth work and jobs. Digital skills are one of the foundational elements for participation in e-commerce, and are essential for the successful implementation of national digital policies¹³ and industrialization. Various examples were given at the Global Review of training on digital skills being offered by national governments, development partners and the private sector. One example cited was a joint ITU and International Labour Organization (ILO) project to equip 5 million young people with information and communications technology (ICT) through the "Digital Skills for Decent Jobs for Youth" campaign. Furthermore, a growing number of e-trade readiness assessments are becoming available, including for LDCs. Assessments for Liberia, Nepal and Samoa were conducted in the final quarter of 2017. The role of governments and other stakeholders in policy-making to promote digital connectivity and e-commerce were also discussed.

2.9. A further challenge highlighted by the Aid for Trade Global Review 2017 is that of pursuing structural transformation and export diversification. Sustainability intersects with supply-side capacity constraints that constrain growth. Notable here is ensuring access to affordable, reliable, sustainable and modern energy for all. Access to electricity and the importance of building physical infrastructure was highlighted as a major constraint in relation to digital connectivity, trade connectivity more generally and structural transformation. Access to electricity has consistently been referenced as a constraint that relates to building resilient infrastructure, promoting inclusive, sustainable industrialization and fostering innovation.

2.10. On this topic, there is an opportunity to update and extend past work on sustainable development and green economy by expanding analysis to examine initiatives addressing the power generation and energy access gap that inhibits the development of productive capacity in some regions and economies.¹⁴

3 REVIEW OF AID-FOR-TRADE ACHIEVEMENTS

3.1. The 2016-2017 Work Programme included provision for a review of Aid-for-Trade (AFT) achievements. It noted that: "A review document will be drafted and presented to the CTD Aid for Trade, and the discussions on which will then be reported to the General Council. It will also be fed into the G-20 deliberations as part of the ongoing monitoring of the G-20's commitment on Aid for Trade. The review document will be prepared jointly with the Organisation for Economic Co-operation and Development (OECD) – WTO's core partner in the monitoring and evaluation of

¹¹ "Global Investment Competitiveness Report 2017/2018", World Bank Group.

¹² Workshop on Aid for Trade and SME competitiveness, 9 October 2014, https://www.wto.org/english/news_e/news14_e/aid_10oct14_e.htm.

¹³ "Harnessing E-commerce for Sustainable Development", UNCTAD in "Aid for Trade at a Glance 2017" op. cit.

¹⁴ Workshop on Aid for Trade, Sustainable Development and Green Economy, 29 February 2012. Further details: https://www.wto.org/english/tratop_e/devel_e/a4t_e/wkshop_feb12_e/wkshop_feb12_e.htm.

the Aid-for-Trade Initiative".¹⁵ Accordingly, preliminary work was undertaken to help in the review of Aft achievements. A joint working paper was prepared by the OECD and WTO.¹⁶

3.2. Some Members and a Group of Members have offered substantive comments on how to strengthen and improve the monitoring methodology, and the scope of the proposed review of Aft achievements at past meetings of the CTD and at the Aid for Trade Global Review 2017. Some Members and a Group of Members have also offered suggestions and raised concerns about how the Initiative should be structured in future.¹⁷ Against this background, the Chair of the CTD will consult with interested Members on the parameters for the proposed review of Aft achievements to be undertaken in the 2018-2019 Work Programme and the organization of dedicated informal open-ended CTD Aid for Trade sessions.

4 WORK PROGRAMME ACTIVITIES

4.1. A series of formal Aft sessions of the CTD will be scheduled by the CTD Chairperson. These meetings provide a forum to discuss Aft issues, including suggestions made during the elaboration of this Work Programme and other Aft issues of interest to Members. Thematic workshops and other events will also be organized back-to-back with the formal CTD Aft sessions. These workshops will provide an opportunity to explore the themes identified in section two of this document outlining areas of focus.

4.2. Topics proposed for workshops include: Industrialization, economic diversification and structural transformation; Transformation and promoting rural economy; Connectivity and skills development, including policies related to digital connectivity and e-commerce; MSMEs and access to finance; Results of the M&E exercise 2018-2019;¹⁸ Economic diversification and empowerment with a focus on Youth and Women, (including in rural areas); Aid for Trade, Sustainable Development and the Green Economy, with a particular focus on building resilient trade-related infrastructure, access to energy and power generation. Members are encouraged to make suggestions of speakers and topics to be discussed at these events. The regional dimension of Aid for Trade should also be considered in these events.

4.3. Outreach and advocacy efforts will continue to promote mainstreaming trade by developing countries and their development partners, implementation of national and regional Aft strategies, and for the mobilization of additional, predictable, sustainable and effective Aft resources. Advocacy on resource mobilization should reflect the views of developing countries with regard to their development and financing needs, in particular those of LDCs notably with regard to infrastructure financing. The Enhanced Integrated Framework (EIF) for LDCs is germane in this context. Outreach efforts will also continue towards South-South partners, to discuss South-South and triangular trade and investment activities, in particular with LDCs.

4.4. The centrepiece of the Work Programme will be the Aid for Trade Global Review in mid-2019. It will be underpinned by an M&E exercise. The M&E exercise and accompanying Global Review will be informed by discussion arising from the review of Aft achievements. Efforts will be made to engage a broad range of partners in the M&E exercise, notably as regards engagement with the private sector, specifically SMEs in developing countries, and in particular LDCs. A further focus will be to use innovative methods and approaches, whilst ensuring continued broad engagement and participation in the M&E exercise. Results of the Global Review would then be transmitted to the CTD Aid for Trade, reported to the General Council and onwards to the WTO Ministerial Conference.

¹⁵ "Promoting Connectivity, Aid-for-Trade Work Programme 2016-2017", WT/COMTD/AFT/W/60.

¹⁶ "Aid for Trade 10 years on: Keeping it Effective". <http://www.oecd.org/trade/OECD-WTO-AFT-10-years-on.pdf>.

¹⁷ Proposals and recommendations can be found in CTD Summary Reports including: WT/COMTD/AFT/M/40, WT/COMTD/AFT/M/41 and WT/COMTD/AFT/M/42/Rev.1 and the Summary Report of the Global Review of Aid for Trade 2017: WT/COMTD/AFT/W/74.

¹⁸ Focusing on Aid-for-Trade financing of trade policy and regulation, trade development, trade-related infrastructure, building productive capacity, trade-related adjustment and other trade-related needs.