



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

**SUSTAINABLE TRADE, CIRCULAR ECONOMY AND AID FOR TRADE
AN ISSUES PAPER FOR THE 2020-2022 MONITORING AND EVALUATION EXERCISE**

JOINT COMMUNICATION BY THE WTO AND OECD SECRETARIATS

1 OVERVIEW

1.1. The following background note has been prepared by the WTO Secretariat.¹ It is intended as a discussion paper to help guide implementation of the Aid-for-Trade Work Programme (WT/COMTD/AFT/W/81.Rev.1). The Work Programme is themed "Empowering Connected, Sustainable Trade".

1.2. The issues paper provides information on sustainable trade, circular economy and Aid for Trade. It seeks to support WTO Members in framing the issues and perspectives they wish to examine in the 2020-2022 Work Programme. More specifically, the issues paper, and Members' reactions to it, will help inform analysis to be conducted for the 2022 Aid for Trade Global Review and the accompanying monitoring and evaluation (M&E) work.

1.3. The 2020-22 Aid-for-Trade Work Programme seeks to address sustainable trade by analysing how industrialization and economic growth objectives interact with those on sustainability and responsible production. A further point mentioned in the Work Programme is the nexus between green growth and digital connectivity, how these two processes can promote inclusive growth, in particular for LDCs, and how Aid for Trade can empower different actors to realize these opportunities.

1.4. This issues paper is organized as follows. A first section examines sustainable development and its relationship with trade. Next, the note introduces the concept of a "circular economy". A further section examines the circular economy from a trade and development perspective (i.e. from the perspective of developing countries', and in particular LDCs', engagement in international trade), with a focus on sectors of particular importance in trade terms. Lastly, the issues paper examines how Aid for Trade is supporting sustainable trade and could help catalyse the transition process to a circular economy. At the end of each section, issues for possible consideration in the monitoring and evaluation exercise are identified.

1.1 Sustainable Development and Trade

1.5. "Development which meets the needs of the present without compromising the ability of future generations to meet their own needs".² This is how the Brundtland Commission encapsulated the concept of "sustainable development" in the 1987 Report of the World Commission on Environment and Development: "Our Common Future". The report underscored that environment and development are "not separate challenges; they are inexorably linked". The Commission established sustainable development as a global objective providing "a framework for the integration of environment policies and development strategies". Though the Brundtland Commission identified

¹ This document has been prepared under the Secretariat's own responsibility and is without prejudice to the positions of Members or to their rights and obligations under the WTO.

² Report of the World Commission on Environment and Development: "Our Common Future"
<https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>.

common challenges, it did not advocate a "single blueprint of sustainability", as socio-economic systems and ecological conditions differ widely among countries.

1.6. "In order to achieve sustainable development, environmental protection shall constitute an integral part of the development process and cannot be considered in isolation from it".³ Principle 4 is one of 27 principles set out in the 1992 Rio Declaration on Environment and Development that further elaborates the concept of sustainable development. Both the Rio Declaration and accompanying Agenda 21 propose actions along three main axes: economic, environmental and social. Bringing discussions on sustainable development up to date, this same focus on economic, environmental and social objectives is evident in the 2030 Agenda and accompanying Sustainable Development Goals (SDGs).

1.7. The 2030 Agenda identifies trade as one of the means of implementation to fulfil the SDGs, and explicitly mentions it as a key driver for many of the objectives highlighted.⁴ Furthermore, a report by the WTO Secretariat highlights the broader role that international trade plays in delivering the SDGs and targets established in the 2030 Agenda.⁵ A 2018 joint UN Environment Programme (UNEP) and WTO report also discusses "Making trade work for the environment, prosperity and resilience".⁶ The contribution of trade to sustainable development was already recognized at the inception of the WTO. The first paragraph of the Marrakesh Agreement Establishing the World Trade Organization states that:

"relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development".⁷

1.8. The different dimensions of sustainable development have been long considered at WTO, notably in the context of the relationship between WTO Agreements and other international agreements and organizations mandated to pursue different aspects of sustainable development. Two WTO Committees are of particular relevance in this regard: the Committee on Trade and Environment; and the Committee on Trade and Development.

1.9. A primary task of the WTO Committee on Trade and Environment is to "identify the relationship between trade measures and environmental measures, in order to promote sustainable development".⁸ The Committee's mandate also includes making "appropriate recommendations on whether any modifications of the provisions of the multilateral trading system are required, compatible with the open, equitable and non-discriminatory nature of the system".⁹

1.10. An important feature of the work of the WTO Committee on Trade and Environment is to examine the relationship between trade rules and environmental organizations and agreements. There are over 250 multilateral environmental agreements (MEAs) currently in force.¹⁰ Multilateral environmental agreements play a critical role in the overall framework of environmental laws and

³ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992, https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.151_26_Vol.I_Declaration.pdf.

⁴ International trade is explicitly mentioned as a means of implementation in the agenda's outline for SDGs 2,3,8,10,14 and 17. A more detailed perspective highlighting trade's direct and indirect impacts on specific SDGs can be found here: https://www.wto.org/english/thewto_e/coher_e/sdgs_e/sdgs_e.htm

⁵ World Trade Organization. (2019). *Mainstreaming Trade to Attain the Sustainable Development Goals*. Geneva: WTO. Retrieved from https://www.wto.org/english/res_e/booksp_e/sdg_e.pdf.

⁶ WTO & UNEP. Making trade work for the environment, prosperity and resilience. 2018. Retrieved from: https://www.wto.org/english/res_e/publications_e/unereport2018_e.pdf.

⁷ WTO Agreement: Marrakesh Agreement Establishing the World Trade Organization, 15 April 1994.

⁸ WTO & UNEP 2018. Op.cit.

⁹ WTO & UNEP 2018. Op.cit.

¹⁰ A detailed summary of trade-related MEAs can be found in the "Matrix on Trade-Related Measures Pursuant to Selected MEAs" prepared by the secretariat (WT/CTE/W/160/Rev.8).

conventions.¹¹ Complementing national legislation and bilateral or regional agreements, multilateral environmental agreements form the overarching international legal basis for global efforts to address particular environmental issues.

1.11. The WTO Committee on Trade and Environment thus acts as a forum where international organizations including UNEP and the OECD and the secretariats of other MEAs to regularly brief WTO Members on their work. This helps WTO delegates keep abreast of the latest global initiatives on the environment and to deepen their understanding of how trade and the environment interact with each other, while promoting mutual supportiveness between WTO rules and environmental objectives including those set out in MEAs.

1.12. Examples of relevant MEAs include the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, and the United Nations Fish Stock Agreement (UNFSA). The Kyoto Protocol, Paris Agreement and their parent treaty, the United Nations Framework Convention on Climate Change (UNFCCC), do not contain direct trade provisions or obligations, although some of the embedded elements within these agreements give rise to indirect trade implications.

1.13. The WTO Committee for Trade and Development (CTD) in turn serves as a focal point for the consideration and coordination of work on development in the WTO, and its relationship to development-related activities in other multilateral agencies.¹² In this regard, the CTD reviews the application of special and differential treatment provisions, oversees the WTO's Work Programme on Small Economies, contributes to transparency-enhancement measures in preferential trade agreements and evaluates the market access schemes provisioned to LDCs. Furthermore, the CTD reviews the WTO's technical assistance activities and the Aid-for-Trade Initiative.¹³

Issues for possible consideration in monitoring and evaluation:

- How is sustainability being conceptualized and integrated into the national, and regional, development and Aid-for-Trade strategies of developing countries, donors (bilateral, regional and multilateral) and south-south partners?
- What role does trade and trade policy play in the sustainable development strategies of developing countries, donors (bilateral, regional and multilateral) and south-south partners? How is structural transformation and industrialization integrated into these strategies?

2 MOVING FROM A LINEAR TO A CIRCULAR ECONOMY

2.1. The preamble of the 2030 Agenda for Sustainable Development states that signatories are "determined to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources ...". This reinforces perspectives framed in the 1992 Rio Declaration on Environment and Development, which agreed that "to achieve sustainable development and a higher quality of life for people, States should reduce and eliminate unsustainable patterns of production and promote appropriate demographic policies".¹⁴

2.2. This perspective is underpinned by SDG 12, which concerns Responsible Consumption and Production in the 2030 Agenda. A series of 11 targets are found under this general goal. These include specific targets (e.g. to halve per capita global food waste at the retail and consumer levels, while reducing food losses along production and supply chains by the year 2030) and more general

¹¹ See UNEP (2016), Role of Multilateral Environmental Agreements (MEAs) in achieving the Sustainable Development Goals (SDGs).

¹² WT/L/46.

¹³ Early on, the International Labour Organization (ILO) was recognized as the mandated global body with respect to labour standards and trade – and so playing a key role in the social dimension of sustainable development. See the Singapore Ministerial Declaration (1996) and Doha Ministerial Declaration (2001).

¹⁴ Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992, https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.151_26_Vol.I_Declaration.pdf.

targets (e.g. to achieve the sustainable management and efficient use of natural resources). Annex 1 lists the specific targets for responsible consumption and production.

2.3. In the view of some, today's predominant economic model is the linear economy which functions on a "take, make and dispose" basis. The generation of value in this linear economy can create several externalities in the form of resource exhaustion, waste generation and pollution which are not (fully) priced. These externalities arise as a consequence of an industrial or commercial activity which affects other parties without this being reflected in costs and market prices.

2.4. A growing body of research supports the move to a more sustainable framework. Joint research by UNEP and the International Resources Panel, for instance, suggests that approximately 35 kilograms worth of minerals, fuels and biomass was extracted per person per day during the year. This corresponds to 92 billion tonnes in aggregate, representing a three-fold increase when compared to 1970 figures.¹⁵ Such numbers can be expected to grow further in the future given recent estimates suggesting that global material usage is expected to more than double by 2060.¹⁶

2.5. A study by the World Bank reveals that the global economy generated more than 2 billion tonnes of solid waste in 2016 alone. Approximately 40% of such refuse was improperly disposed, either ending in landfills or open dumps.¹⁷ Solid waste tonnage is expected to increase by 70% by 2050. Waste disposal is expected to become a pressing issue. Further expansion of disposal sites contributes to the destruction of biodiversity and increases the likelihood for disease transmission as they prove to be ideal conditions for vector-borne diseases.¹⁸

2.6. The circular economy seeks to mitigate environmental problems associated with resource extraction and waste generation, by emphasizing the formation of feeder loops that transform waste into new inputs for production in all nodes within the value chain. These feeder loops integrate with production processes to form a series of resource-regenerative cycles. These resource-regenerative cycles can be renewable (biological) or non-renewable (technical) in nature.

2.7. Renewable regenerative cycles denote natural systems with regenerative capacity. Feeder loops here exist in the agri-food sector through such practices as composting food waste – to generate biofertilizers and bioenergy – and incentivizing water reutilization.¹⁹ Another example is renewable energy generation where the power source (e.g. wind or sun) naturally regenerates.

2.8. Non-renewable cycles stress the management of finite resources within the production cycle. This involves reusing (e.g. second-hand markets for motor vehicles or clothes), repairing, re-manufacturing (e.g. re-treading of pneumatic and non-pneumatic tyres), or recycling of products, components and materials (e.g. reincorporating secondary metals into the production process).

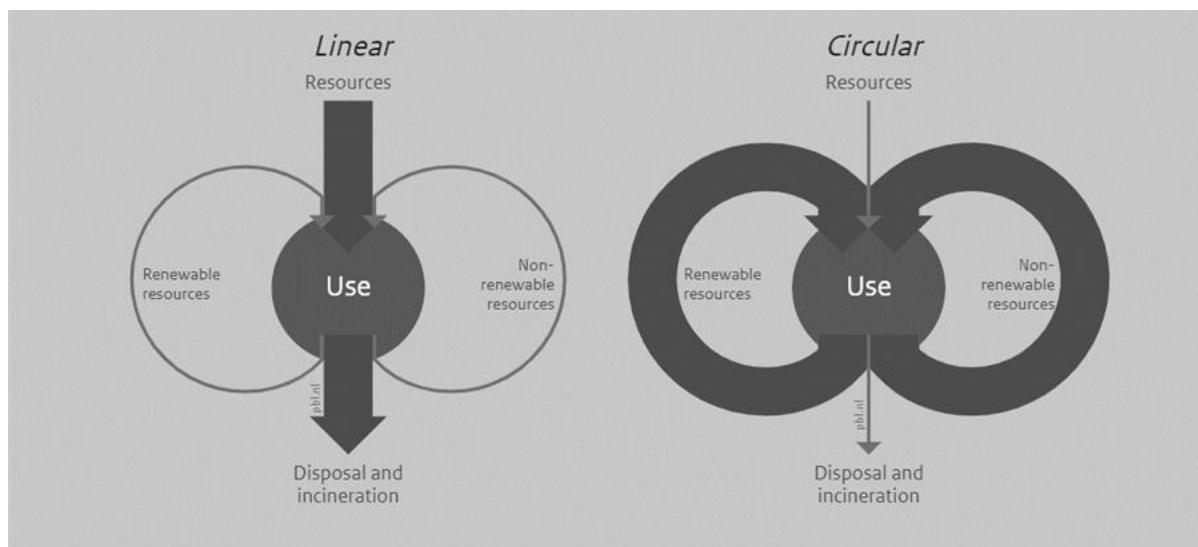
¹⁵ IRP, *Global Resources Outlook 2019: Natural Resources for the Future We Want*, 2019 Retrieved from: <https://www.resourcepanel.org/reports/global-resources-outlook>.

¹⁶ OECD. *Global Material Resources Outlook to 2060*. 2019 Retrieved from: <https://www.oecd.org/publications/global-material-resources-outlook-to-2060-9789264307452-en.htm>.

¹⁷ The World Bank Group, *What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050*, 2018. Retrieved from: <https://openknowledge.worldbank.org/handle/10986/30317>.

¹⁸ Ibid.

¹⁹ FAO, *The wealth of waste The economics of wastewater use in agriculture*, 2010 Retrieved from: <http://www.fao.org/land-water/overview/covid19/circular/en/>.

Figure 1: Illustrated difference between the Circular and Linear Economy

Source: Netherlands Environment Agency (2016)

2.9. Figure 1 above, a stylized illustration, describes the key differences between the two types of economies discussed above. The left panel denotes a linear economy, characterized by substantial volumes of input and waste represented by linear, vertical arrows. The right panel denotes a circular economy wherein renewable and non-renewable source loops re-integrate resources back into the production process such that extraction and wastage are minimized. The thickness of the line for resources indicates the volume of resources needed in each system.

2.10. Fostering interactions between trade and the circular economy can produce beneficial and mutually reinforcing outcomes. For instance, facilitating the trade in goods, components, materials and services related to key circular economy activities would help to ensure that these activities happen in the best possible locations in terms of cost, quality, skills and other location-specific advantages.²⁰ Moreover, it would give companies involved in circular economy activities improved access to a larger supply of recovered goods, components and materials for recirculation. Trade would also allow companies to decrease costs through vital economies of scale, while strengthening the incentive to invest in eco-design and innovation, reverse logistics and other building blocks of circular business models.²¹ What is more, open trade could facilitate access at the lowest cost to critically important technological solutions for a circular economy.

2.11. Fostering interactions between trade and circular economy must be accompanied by efforts to minimize certain risks, which could arise, for example, when goods are exported after their first use to countries without the proper capacity to treat or recirculate them in an environmentally sound manner or when hazardous or other waste moves across borders under the pretence of goods for reuse or recycling. Some concerns also exist regarding trade in second-hand or refurbished goods. For example, it has been argued that imports of these types of goods may put additional pressure on the waste management systems of developing countries, especially when the goods in question have shorter lifespans than the corresponding goods in "new" condition. Efforts to address these and related concerns have been part of the global environmental policy agenda for several decades, including in the context of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

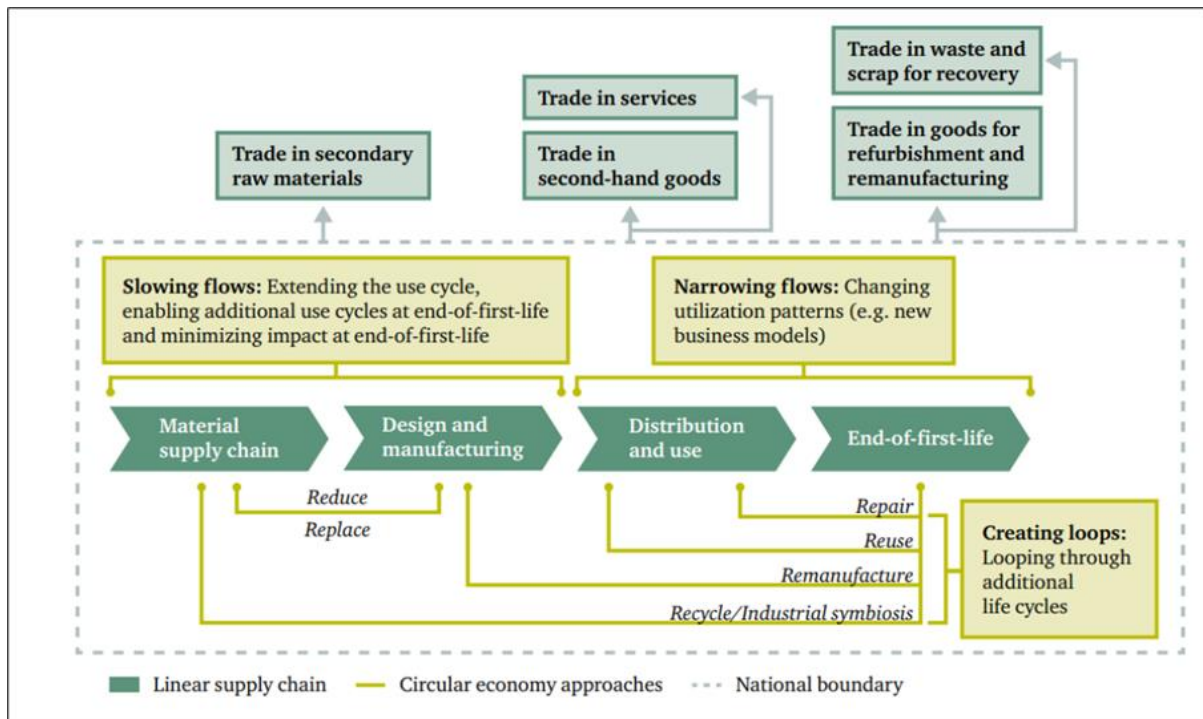
2.12. Figure 2 below illustrates the possible intersections between trade and the circular economy. The nodes within the dotted lines indicate the processes and objectives of circularity in a domestic setting. The boxes outside the demarcation suggest ways in which trade could interact with this framework. As suggested, trade provides an avenue to enhance circular economy adoption by

²⁰ Steinfatt, Karsten. *Trade policies for a circular economy: What can we learn from WTO experience?*, 2020 World Trade Organization (WTO), Economic Research and Statistics Division. Retrieved from: https://www.wto.org/english/res_e/reser_e/ersd202010_e.pdf.

²¹ Ibid.

providing an avenue for cross-border movement in secondary raw materials, second-hand goods, waste and services.

Figure 2: Circular Economy in an International Trade Context



Source: Chatham House (2019)

2.13. Four main approaches to facilitate a circular economy have been identified:

a. Policy frameworks that internalize externalities: This refers to the use of policy instruments to either increase the relative prices of natural resources or mitigate resource-inefficient consumption patterns.²² Externalities can be incorporated into firms' pricing decisions through regulatory measures (e.g. standards and certification schemes) or market-centric policies (e.g. pollution tax, carbon pricing schemes) that compel firms to consider sustainable alternatives. Consumer behaviour in turn can be reshaped through public education initiatives and product labelling schemes that increase the public's awareness of resource wastage. Furthermore, measures such as waste disposal taxes can be used to incentivize household transitions.

b. Enabling resource recovery and recirculation: This refers to the act of maximizing the number of feeder loops, such that resources are continuously reintegrated into production systems. Resource recovery through processes such as recycling reduces non-renewable extraction, therefore leading to less environmental degradation. Some manufacturing firms have begun including such systems into their production process.

c. Enhancing Product Longevity: This denotes increasing the lifespan of products and services such that the demand for new production decreases.²³ When products are designed with longevity in mind, the rate of resource usage falls while simultaneously ensuring that wastage due to wear and tear or obsolescence is reduced. Furthermore, it also promotes the development of a resale market that further decreases the need for production. Longevity could also be promoted through the adoption of a Product as a Service business model, where

²² McCarthy, A., R. Dellink and R. Bibas (2018), "The Macroeconomics of the Circular Economy Transition: A Critical Review of Modelling Approaches", *OECD Environment Working Papers*, No. 130, OECD Publishing, Paris, Retrieved from: <https://doi.org/10.1787/af983f9a-en>.

²³ APEC. *Regional Trends Analysis – What Goes Around Comes Around: Pivoting to a Circular Economy*. 2020. Retrieved from: <https://www.apec.org/Publications/2020/05/APEC-Regional-Trends-Analysis---What-Goes-Around-Comes-Around>.

the firm revenue is linked to maximizing the usage of a product rather than the number of physical units sold.

d. Supporting the regeneration of natural capital systems: This denotes the orientation of systems towards the use of renewable energy and biological materials such that the need for natural extraction or environment degradation decreases. Accelerating the incorporation of renewable energy sources in nations' energy mix, for instance, would lead to decreased use of non-renewable energy sources. Furthermore, the use of practices such as rotational grazing, compost usage and ecosystem cohabitation can help improve agricultural productivity while concurrently promoting sustainability.

Issues for possible consideration in monitoring and evaluation:

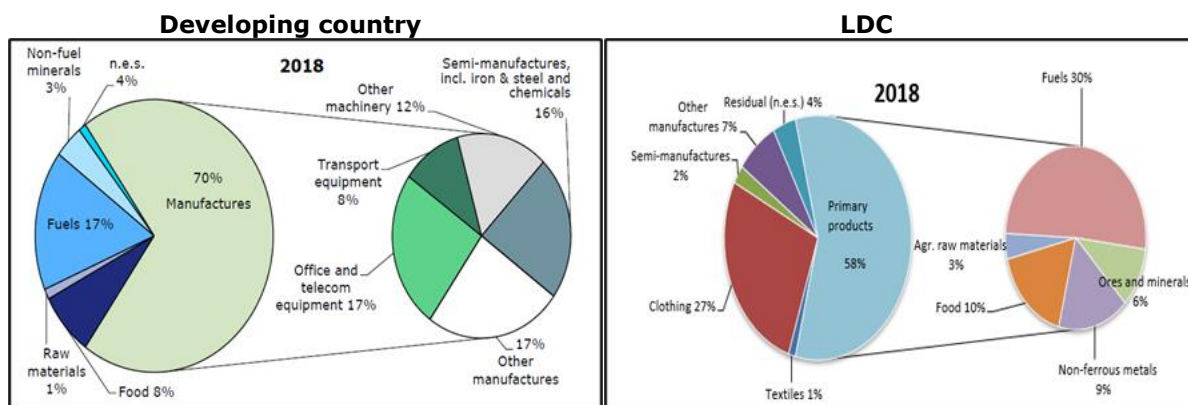
- Are circular economy (responsible consumption and production) perspectives being integrated into the national and regional sustainable development and trade strategies of developing countries, donors (bilateral, regional and multilateral) and south-south partners? If so, how and in which economic sectors?
- What constraints may limit the conceptualization and adoption of circular approaches by developing countries, donors and south-south partners?
- What opportunities arise for trade integration arising from circular economy approaches?

3 MOVING TO A CIRCULAR ECONOMY: TRADE AND DEVELOPMENT DIMENSION

3.1. A starting point to consider the trade and development dimension of moving to sustainable trade and development is the participation of developing countries and LDCs in the multilateral trading system. This participation is reviewed annually in analytical reports issued by the WTO Secretariat for both LDCs and developing countries.²⁴ One striking feature is that many developing Members, especially LDCs, rely on a narrow export basket and have a limited trading partner mix.

3.2. Pre-COVID-19 pandemic, half of WTO Members classified as LDCs export fewer than 100 product codes and reach only some 46 foreign markets on average. Evidence of high production concentration can be gathered while examining Figures 3 and 4 below, which outline merchandise export structure trends for LDC and developing economies respectively. Figures indicate a high dependency on the extractive (fuels, non-ferrous metals, ore and mineral), textiles, clothing/apparel, agriculture, office and telecom sectors. Together, they account for 88% and 55% of LDC and developing country merchandise exports respectively for 2018.

Figures 3 and 4: Merchandise Export Structure of Developing Countries and LDCs, 2018



Source: WT/COMTD/W/251 and WT/COMTD/LDC/W/67.

3.3. Tourism and travel was the largest tradeable service sector for developing Members, accounting for USD 574 billion worth of exports in 2018 – again pre-COVID-19 pandemic. This sector

²⁴ WT/COMTD/W/251 and WT/COMTD/LDC/W/67.

also registers as the largest tradeable service sector for LDCs with exports valued at USD 19.8 billion for the year 2018. It expanded by 11% in LDCs during the period 2011-2018. Tourism and travel also accounts for almost 30% of GDP for Small and Island Developing States.²⁵

3.4. All the sectors cited above (both merchandise goods and services) are associated, to varying degrees, with negative environmental externalities. For instance, the agriculture and extractive sectors have both been associated with habitat loss given the extensive land requirement to scale production. Moreover, the agriculture and textiles and apparel sectors together draw almost 75% of global freshwater withdrawal. They also generate significant quantities of wastewater, therefore generating pollution and inducing environmental damage.

3.5. Together the textiles and apparel and Information and Communication Technology (ICT) sectors generate significant waste streams. An estimated 92 million tonnes of apparel and textile waste is generated every year. This figure is predicted to rise by an additional 40% towards the end of 2030.²⁶ ICT waste has been identified as an issue of global concern. Worldwide e-waste generation was estimated at approximately 53.6 million tonnes as of 2019.²⁷ Approximately four-fifths of such waste remains undocumented, either discarded in landfills, burned or treated in a substandard manner.²⁸ Moreover, e-waste generation is expected to reach 74.7 million tonnes by 2030.

3.6. Greenhouse gas emissions is another form of an environmental externality created during the value generation process found in developed, developing and least developed countries alike. For instance, the travel and tourism sectors were estimated to account for 5% of aggregate emissions in 2016 with emission values expected to witness a growth of 25% by 2030.²⁹ The highly globalized nature of some value chains (e.g. ICT goods) also implies that transport of intermediate products are also a source of emissions. Value chains are highly fragmented, with a large degree of variance observable between product sub-categories.

3.7. One sector in which resource recycling approaches are observable at the level of trade flows are the waste streams associated with the extractive sector – despite the difficulties in distinguishing between recycled and virgin raw materials. The global trade of iron and steel scrap is a case in point, reaching an overall volume of 100.4 million tonnes, or 24% of these metals' aggregate trade in 2019.³⁰

3.8. Change is already occurring due to the adoption of environmental policies by governments, and sustainability practices by the private sector. In the case of non-renewable fuels, for instance, demand for and production of extracted products is already being influenced by commitments towards sustainability in exporter markets. This is resulting in a changing pattern of demand in the extractive sector, with falling demand for fossil fuels and growing pressure on resources such as aluminium, cobalt, lead, lithium, manganese and nickel that are essential for battery production. Many of these minerals also lend themselves to recycling due to scarcity. These trends are likely to continue. The International Energy Agency is projecting a nearly 60% decline in average annual oil demand growth over the period 2019-2025 when compared to historic growth trajectories.³¹ This decline can be attributed to countries around the world implementing policies that seek to enhance energy efficiency and reduce fossil-fuel dependency.

²⁵ UNEP. *Small Island Developing States: Building resilience for sustainable trade and development*. 2020. Retrieved from: <https://www.unenvironment.org/news-and-stories/story/small-island-developing-states-building-resilience-sustainable-trade-tourism>.

²⁶ Global Fashion Agenda. *Pulse of the Fashion Industry*. 2017 Retrieved from: <https://www.globalfashionagenda.com/publications-and-policy/pulse-of-the-industry/>.

²⁷ Forti V., Baldé C.P., Kuehr R., Bel G. *The Global E-waste Monitor 2020: Quantities, flows and the circular economy potential*. 2020. United Nations University (UNU)/United Nations Institute for Training and Research (UNITAR) – co-hosted SCYCLE Programme, International Telecommunication Union (ITU) & International Solid Waste Association (ISWA), Bonn/Geneva/Rotterdam.

²⁸ ITU. *Creating a circular economy for ICT equipment*. 2020. Retrieved from: <https://www.itu.int/en/mediacentre/backgrounders/Pages/e-waste.aspx>.

²⁹ UNWTO, ITF. *Transport related CO2 emissions from the tourism sector*. 2016

³⁰ BIR. *World Steel Recycling in Figures: 2015-2019*. 2020. Retrieved from: <https://www.bir.org/publications/facts-figures/download/643/175/36?method=view>.

³¹ IEA. *Oil 2020*. 2020.

3.9. Research suggests that expanding circular economy approaches may also unlock economic value. The raw materials contained in e-waste were worth roughly USD 57 billion as of 2019.³² Ample space for market expansion is available given that the recycling rates for electronic waste were estimated at only approximately 17.4% in 2019.³³

Possible issues for consideration in monitoring and evaluation:

- How is the move to a sustainable/circular economy impacting the trade flows of least developed and other developing countries? What does this process look like in the sectors of greatest export interest for developing countries and LDCs? How is this process likely to evolve in the future?
- Where may adjustment costs be incurred in the transition to a sustainable/circular economy (responsible consumption and production)?
- Where might opportunities arise for economic and export diversification for developing and LDCs? What role could technology transfer play in helping countries seize these opportunities?

4 AID FOR TRADE, SUSTAINABLE TRADE AND THE CIRCULAR ECONOMY

4.1. The 2019 Aid-for-Trade M&E exercise highlighted action being taken by partner countries (including LDCs), and regional organizations on green value chains, renewable energy and green growth strategies. Environmental considerations were also cited as a driver of changes in Aid-for-Trade programming by donors.

4.2. Among LDCs, one Member mentioned that national sustainable development strategies were drivers of change in its Aid-for-Trade priorities. A developing country Member also noted this trend. Green growth strategies were also referenced by an additional LDC Member. Donors mentioned sustainable development as a priority in three cases, and eight times as driver of changes in their Aid-for-Trade strategies.

4.3. Eighty-seven of the 88 answers (99%) to the partner country questionnaire stated that Aid for Trade can make a contribution to the achievement of the 2030 Sustainable Development Agenda. Responses from partner countries showed a higher percentage of the opinion that Aid for Trade could contribute to affordable and clean energy (50% of partners, 40% of donors) and responsible consumption and production (56% of partners, 46% of donors).

4.4. The 2019 monitoring exercise showed growing interest among donors in utilizing Aid for Trade to promote sustainability. This trend corresponds with the stable flows of environment-focused aid over recent years as covered by the OECD's Credit Reporting System Database. Particularly, over the period 2006-2016, there have been steady aid allocations towards the so-called "Rio Conventions" – the UN Framework Convention on Climate Change, the Convention on Biological Diversity and the UN Convention to Combat Desertification.³⁴ Some donors have also included commitments towards sustainability in their development policies. For instance, some donors have recently pledged to halt support for investments in new coal mining and coal-fired power station projects. Some donors have been supporting the development of green value chains and seeking to integrate sustainable development approaches into their trade and development policies in other ways.

4.5. Past examples of Aid for Trade facilitating a circular economy transition exist. For instance, Aid for Trade has been utilized to develop waste-paper recycling infrastructure, bio-fertilizer

³² Forti V., Baldé C.P., Kuehr R., Bel G. *The Global E-waste Monitor 2020: Quantities, flows and the circular economy potential*. 2020. United Nations University (UNU)/United Nations Institute for Training and Research (UNITAR) – co-hosted SCYCLE Programme, International Telecommunication Union (ITU) & International Solid Waste Association (ISWA), Bonn/Geneva/Rotterdam.

³³ Ibid.

³⁴ WTO and UNEP. *Making trade work for the environment, prosperity and resilience*. 2020. Retrieved from: https://www.wto.org/english/res_e/publications_e/unereport2018_e.pdf.

capacity, re-manufacturing facilities and safety standards for product repurposing in developing and LDC Members. Case studies could be developed to highlight the reach of such initiatives.

Possible issues for consideration in monitoring and evaluation:

- How are sustainable development and circular economy approaches being integrated into Aid-for-Trade policies of donors and south-south partners and mainstreamed into the design, monitoring and evaluation of Aid-for-Trade projects? What role does technology transfer play in this regard?
- Are there examples of how Aid for Trade is supporting the formation of positive feeder loops in developing countries? Have Members identified best practices that can be shared?
- What policy frameworks support the sustainable trade and circular economy approaches?

5 CONCLUSIONS

5.1. This Issues Paper provides a framework through which to understand the interaction between sustainable trade, circular economy, and Aid for Trade. The purpose of the issues paper is to elaborate issues for consideration in the context of the monitoring and evaluation exercise that will underpin the 2022 monitoring and evaluation exercise, and the Aid for Trade Global Review.

ANNEX 1: 2030 AGENDA TARGETS FOR RESPONSIBLE CONSUMPTION AND PRODUCTION

12.1 Implement the 10-year framework of programmes on sustainable consumption and production, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries

12.2 By 2030, achieve the sustainable management and efficient use of natural resources

12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment

12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

12.7 Promote public procurement practices that are sustainable, in accordance with national policies and priorities

12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature

12.A Support developing countries to strengthen their scientific and technological capacity to move towards more sustainable patterns of consumption and production

12.B Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products

12.C Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities.

Source: United Nations
