

EXECUTIVE SUMMARY

This is the sixth edition of the *Aid for Trade at a Glance* publication. Since 2007, successive editions of this flagship publication have shed light on the steps being taken by developing country governments and their development partners to leverage trade for development. The 2017 edition adds further weight to the already substantial body of evidence highlighting the effectiveness of aid for trade. It focuses on how and why trade connectivity is critical for inclusiveness, sustainable growth and poverty reduction. It is intended to inform both practice and policy regarding aid for trade's contribution to the 2030 Agenda for Sustainable Development.

Almost USD 300 billion has been disbursed for aid-for-trade support since the Aid for Trade Initiative was launched. Some 146 developing countries have received aid for trade, mainly in Asia (41.5%) and Africa (38.7%), with 27% of the total going to LDCs. Regional and global programmes attracted almost 15% of total disbursements. More than three-quarters of total disbursements have gone to four sectors: transport and storage (28.6%), energy generation and supply (21.6%), agriculture (18.3%), and banking and financial services (11.1%).

Physical connectivity enables the movement of goods and services to local, regional and global markets. Digital connectivity now intertwines with physical connectivity. Digital networks have rapidly become integral to global trade, and offer opportunities for growth as a market place. Accessible and affordable digital connections are indispensable for trade connectivity. Yet the Internet remains unavailable to 3.9 billion people globally, many of whom live in the least developed countries (LDCs).

The 2030 Agenda for Sustainable Development includes targets for universal and affordable access to the Internet. Mobile broadband networks are now available for more than 50% of the population in LDCs, but digital devices and fixed network connections remain high in price, and limited in coverage. Affordability remains a key barrier to higher levels of ICT use.

The digital divide can also be viewed as a market access divide with the cost of digital connections as trade costs. Firms and consumers that are offline are locked out of the opportunities offered by the rapidly expanding market for goods and services purchased or supplied online. Lack of digital connectivity reinforces economic isolation.

Actions to boost connectivity are being undertaken by a broad range of countries at all levels of development. Measures should be taken to influence both the supply side (e.g. ICT infrastructure and network coverage availability) and the demand side (e.g. affordability and usage) of digital connectivity. National co-ordination mechanisms and strategies frequently miss perspectives and inputs from trade officials. In many countries where connectivity is lagging, more could also be done to improve the enabling trade environment for digital connectivity.

To bridge the digital divide additional finance must be mobilized to support the development of network infrastructure, dynamic ICT services markets, and adequate regulatory environments. Financing is essential to help develop affordable, reliable ICT infrastructure, and build up related services offerings, especially for under- or un-served populations. Bridging the digital divide also requires policies that increase ICT access and use. Aid for trade is supporting governments in these efforts, and demand is expected to grow.

Border clearance delays and inadequate physical infrastructure also obstruct e-commerce. At the border, the digitalisation of customs and border agencies can support efficient customs services. Behind the border, the provision of efficient trade logistics still matters and is arguably even more important in an increasingly digital world. A priority for micro, small and medium sized enterprises (MSMEs) that emerges from the report is the need for action to streamline customs procedures for these firms. The coming into force of the WTO Trade Facilitation Agreement (TFA) will arguably address many of these concerns.

The TFA is a powerful tool to reduce trade costs. Trade facilitation tops the aid-for-trade priorities of both developing countries and their development partners, albeit in a broader conception that also includes physical connectivity, such as transport corridors, and digital connectivity too. There is also growing evidence of the positive impact of aid for trade in tackling border bottlenecks and contributing to inclusive trade outcomes.

The role of services trade in promoting connectivity is growing. Services provide the basic infrastructure to support trade in goods, facilitate supply chains, provide significant value added to manufacturing activities, and form the backbone infrastructure that enables e-commerce and the growing online supply of services. Services trade policies can enhance (or hinder) connectivity and thus access to the benefits of integration into the international trading system.

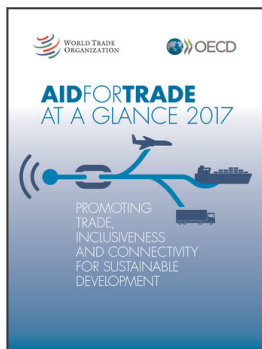
Governments together with other stakeholders have a central role in developing e-commerce strategies not only around ICT infrastructure, but also including trade logistics, e-commerce skills, legal frameworks, payment solutions and access to financing. Access to a digital connection is a necessary, but not a sufficient condition to engage in e-commerce. Actions by developing country governments to boost connectivity needs to be complemented by action in these areas if they are to make the most of e-trade opportunities for generating economic growth, job creation and poverty reduction.

Digital connectivity promises productivity gains across all areas of the economy, including traditional sectors like agriculture. Developing countries and the least developed can use e-trade as a productivity lever and device for trade connectivity. Digital connectivity helps connecting MSMEs and women-owned enterprises to customers and suppliers around the world. A significant connectivity gap exists between large and small firms, notably in low income countries and LDCs. The Internet may reinforce existing inequalities of access, such as those between women and men, rural and urban, and large firms and small firms. Policy makers should scale up access and training programmes to tackle this risk.

The publication sheds light on various examples of how the private sector is helping MSMEs, women, and rural populations to connect to the global economy. The private sector is vital to bridging the digital divide and more should be done to solicit their views on policy choices and public investment, and promote public-private collaboration for boosting connectivity. Moving ahead, both developing countries and their development partners expect a scaling up of digital connectivity and e-commerce programmes.

Findings show that the better the physical and digital connectivity, the more it contributes to market access, financial inclusion, women's economic empowerment and poverty reduction. These impacts get amplified when the public and private sector work together to build the institutional and physical capacity to help the poor connect and compete.

The experience of some LDCs demonstrates that investing in efforts to improve ICT brings benefits for trade and economic development. When LDC governments together with key stakeholders including the private sector, and international donors work together to focus development finance on trade inclusiveness for sustainable development inclusion, much can be achieved. ■



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