



EXPERT GROUP MEETING ON FINANCING INFRASTRUCTURE DEVELOPMENT FOR ENHANCED INTEGRATION OF THE LLDCS INTO GLOBAL TRADE

5 OCTOBER 2017

Thanks for inviting me to this expert's group meeting. Building supply side capacity and trade-related infrastructure is hugely important in LLDCs. It is a necessary complement to more open markets. And, together, this is a proven recipe for greater growth, development, poverty reduction and job creation. In the current economic and political climate where donor financing is becoming tighter and harder, it is ever more important to make sure that the funds that are available are put to the most effective use.

How to enhance the effectiveness of Aid for Trade is of course one of the main questions we try to answer collectively at the Aid for Trade Global reviews that are hosted by WTO. So I want to briefly tell you what have been some of the main messages that emerged from the most recent Global Review this July.

First, there is a close synergy and correlation between Aid for Trade and the Sustainable Development Goals and the VPOA. Indeed, achieving economic growth is a key objective for both initiatives. This has been recognized in the SDGs with target 8.A calling for an "increase in Aid for Trade support for developing countries, particularly LDCs". So it is important to ensure that Aid for Trade continues to deliver more and better – and that coordination across the international community is improved.

Second, Aid for Trade has to respond to the specific situation of the recipients. In the case of LLDCs it is necessary to look more closely at their range of needs and ensure that they are being met. For example, we may need to look at directing help in different sectors and show readiness to innovate and prioritise support on the basis of the specific needs expressed, which may not necessarily be the traditional ones involving transport, energy, agriculture and financial services that capture most of today's aid.

Third, Trade Facilitation and reducing trade costs is still enormously important. With the entry into force of the TFA, implementation is becoming a greater priority for both developing countries and donors. High trade costs have the potential to price many firms, particularly the

small ones and those located in LLDCs, out of markets and reinforce economic isolation. So reducing those costs must remain an important focus – and one that can be viewed in the broader context of the sustainable development challenges that Members face.

This leads to the **Fourth** point which is connectivity. It is clear that promoting inclusive trade for sustainable development requires an improvement of connectivity – both physical and digital. Without connectivity, trade just cannot happen and this hurts both sellers and buyers. Indeed, digital connectivity is essential for growth, irrespective of the sector. From tourism to agriculture, being connected is fundamental. But of course, without an affordable connection, individuals and firms cannot access the marketplace of the world-wide web. And without the necessary skills and regulatory environment in place, micro, small and medium sized enterprises may have a hard time competing in the global marketplace. So we must act to bridge these gaps in connectivity – both digital and physical. Failure to do so would be to reinforce existing inequalities between developed and developing economies, and within countries between women and men, rural and urban, and large and small firms. Aid for Trade must be mobilized to address this challenge.

Fifth, gender issues need to be mainstreamed into Aid for Trade work. Women play a key role in economic development and trade can be used as a tool for women's empowerment, while also helping to achieve SDG 5 on gender equality. Increasing women's participation in the economy means more jobs, more economic autonomy, more growth and more poverty reduction.

Those are some of the key ways in which we can enhance Aid for Trade overall.

More concretely with respect to the LLDCs, as I mentioned in the second point it's important to focus on addressing their needs. But how do we know what those needs are? One way is looking at the questionnaires that were part of the monitoring and evaluation exercise on AFT conducted with the OECD.

16 LLDCs provided their responses to the questionnaire and the information they contain is quite interesting. For example all LLDCs that replied said trade priorities were included in their national development strategies. Most identify export diversification, trade facilitation and transport infrastructure as their AFT priorities. All responses also point out that trade facilitation is a priority in their national development policies and that they are at different stages of implementation of the agreement. The TFA measures that were identified as needing more AFT support related to border agency cooperation, publication of information, release

and clearance of goods, and freedom of transit. 5 respondents also put forward Aid for Trade facilitation projects that they wished to showcase as examples of best practices.

Regarding the questions on e-commerce, half of the LLDC respondents said that they had a national e-commerce strategy. These strategies cover issues of access to online platforms, B2C and B2B transaction and payment issues. High shipping and small parcel shipping costs were pointed out as the most common challenges faced by MSMEs when conducting cross-border e-commerce. When it comes to access to the internet most identified broadband subscription costs and slow connections as the main issues impeding access. All but one of the LLDC respondents said that electronic payment solutions were available in their country, with e-banking and mobile money being the predominant solutions. Almost all respondents said that they anticipated the need for future assistance to meet their e-commerce objectives.

When it comes to assessing trade related infrastructure needs the responding LLDCs identified Energy distribution, telecommunications and road transport infrastructure as their priorities. 14 of the respondents also said that their development strategies linked growth in services capacity to growth in industrial capacity and exports. Banking, computing and road transport services were highlighted as the fastest growing services in most LLDCs. While poor ICT infrastructure was most commonly pointed out as the main issue constraining the growth of services trade in LLDCs.

Focusing now on the area of trade facilitation, a way to enhance Aid for Trade is to use the institutions that are contemplated in the TFA. For example, the National Committees on Trade Facilitation that each country has to establish under Article 23.2 of the TFA can play a key role in identifying needs, and categorizing commitments for notification. Aid for Trade has to be demand-driven to create country ownership this is why the NCTF should first identify what an LLDC needs in terms of infrastructure development. This would avoid the situation where it is the creation of a program by a donor which generates the demand. Once needs have been identified the NCTF could contact the donors to see what assistance can be provided or work with the TFAF to find a donor to cover those needs. Then there is the key task of coordinating the capacity building efforts taking place in the country including by ensuring maximum efficiency in the work of donors and implementing agencies. This is why in the WTO we encourage countries to include as part of their NCTF representative from the development cooperation agencies of the country or those institutions in charge of development planning and coordinating the receipt of developmental assistance.

Lastly, I want to congratulate OHRLLS on this meeting because this kind of events helps the multilateral institutions working on financing infrastructure and aid for trade to bolster global cooperation and ensure that our efforts to deliver on the promises made in the 2030 Agenda for Sustainable Development and the VPOA remain coordinated and coherent.
