Aid for Trade

Connecting Firms in Developing Countries to Value Chains

KEY FINDINGS

Value Chains (VCs) offer developing countries opportunities for economic growth and poverty reduction. Firms can enter VCs by focusing on one or more specific tasks in the production chain that reflect their comparative advantage and national factor endowments - they need no longer invest in mastering the entire production process..

- The main policy objective of developing country governments is “link” their firms to and "move up” the value chain to generate economic growth and reduce poverty.
- While Least-Developed Country (LDC) participation in VCs is still concentrated in primary commodities, their firms are joining value chains, most notably in the agrifood, textiles and apparel, and tourism sectors
- Developing countries cite three main constraints to VC participation: inadequate infrastructure, access to finance, and standards compliance. Donors concur with this assessment.
- The private sector add another five specific constraints: customs procedures, lack of skilled labour, licensing requirements, high transportation costs, and unsupportive regulatory and business environments.
- In 2011, USD 41.5 billion was spent in aid to help developing countries overcome their trade related constraints. Research suggests that this assistance reduces trade costs and enhances the trade performance of developing countries.
- The role of South-South partners is growing both in terms of trade-related co-operation, but also in foreign direct investment. Firms from these countries are themselves also leading South-south value chains.
- Also a growing number of lead firms are helping, both on their own and with development agencies, to upgrade the trade performance of developing country suppliers, offering scope for closer cooperation between the public and private sector on aid for trade.

OECD BETTER POLICIES FOR BETTER LIVES

WORLD TRADE ORGANIZATION

INTRODUCTION

Successive rounds of multilateral trade liberalisation, preferential market access arrangements, regional free trade agreements, and growth in south-south trade have created many more trading opportunities for developing countries. Supply-side capacity limitations and trade-related infrastructure constraints can, however, prevent developing countries from converting trade opportunities into trade flows. Superfluous and restrictive regulatory requirements increase the cost of doing business for firms and the costs of products and services for consumers. In a global economy characterized by the emergence of fragmented production chains, the economic cost of inefficient trade processes increases the "thickness of borders" excluding local firms from international markets and limiting trade expansion with negative consequences for economic growth and poverty reduction.

The Aid-for-Trade Initiative was launched at the 2005 Hong Kong WTO Ministerial Conference to address these problems. The Initiative has succeeded in raising awareness among developing countries and donor agencies about the positive role that trade can play in promoting economic growth and development. Successive Global Reviews of Aid for Trade have shown that developing countries, notably the least-developed, are getting better at articulating, mainstreaming and communicating their trade-related objectives and strategies. In turn, this has had a positive impact on the alignment of aid for trade. Aid for trade flows have grown steadily since 2005, although they have come under pressure recently due to fiscal pressures in donor countries. Econometric analysis suggests that aid for trade is broadly correlated with increases in trade performance, which in turn is related to reductions in poverty. These effects are confirmed by a growing number of studies, using different methods, which yield a strong narrative about the positive impact of aid for trade programmes.

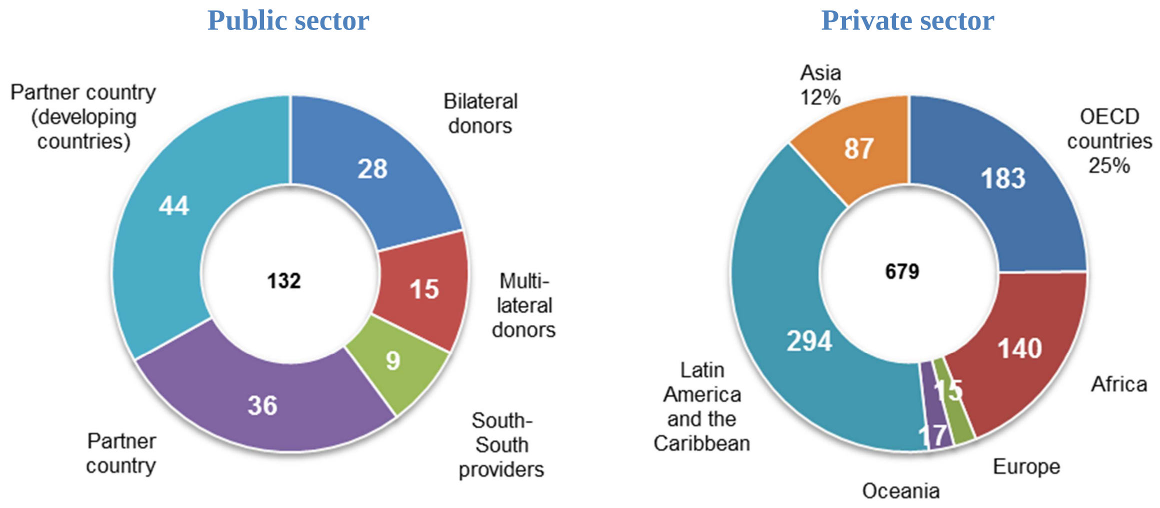
The emergence of value chains strengthens the rationale for and relevance of Aid for Trade. As developing countries look to connect their firms to production networks aid for trade can help ensure that the right conditions are in place and mobilize domestic and foreign investment. As such, significant scope exists for closer co-operation and synergies between the public and private sector on Aid for Trade. Most providers of South-south trade-related co-operation plan to increase their resources, potentially unlocking further access to this dynamic segment of world trade. More over by connecting the "least connected", aid for trade plays an important role in delivering the inclusive economic growth agenda that lies at the heart of the Post-2015 Development Agenda.

STAKEHOLDER ENGAGEMENT

The need to integrate trade priorities into national and regional development planning is a central objective of the Aid-for-Trade Initiative. Mobilization of financing and developing country ownership of the Aid-for-Trade Initiative is intrinsically tied to these mainstreaming processes. Without effective national and regional dialogues, governments and regional economic communities face problems in setting clear priorities. Without clear priorities, development partners face difficulties in responding appropriately to demand-driven requests. Mainstreaming trade in development planning is essential for assuring coherence between trade and other broader objectives, such as, *inter alia,* food security, gender empowerment, poverty reduction, sustainable development, and green growth. Deepening coherence requires an on-going commitment to trade mainstreaming which seeks to operationalize it across the broad spectrum of policy areas with which trade interacts.

Engagement is critical to the process of mainstreaming. The latest Aid for Trade monitoring exercise conducted jointly by the OECD and WTO has underlined that engagement remains strong; 132 self-assessments were submitted from 80 developing countries (including 36 least developed), 28 bilateral donors, 15 multilateral donors, and 9 providers of South-South co-operation. Moreover, 524 supplier firms in developing countries provided their views on the barriers they face in linking to value chains, while responses from 173 lead firms (mostly, but not exclusively in OECD countries) highlight the obstacles they encounter in integrating developing country firms in their value chain.

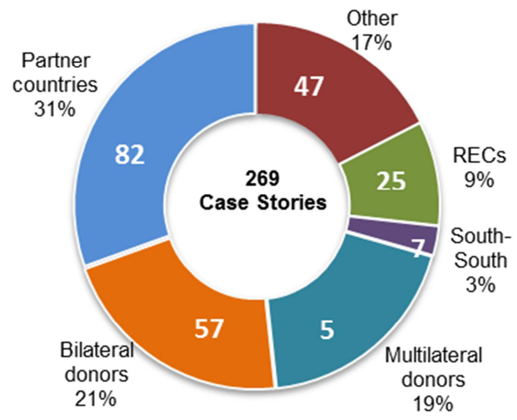
Figure 1. Participation of the public and private sectors in the OECD-WTO monitoring exercise



Source: OECD/WTO Aid-for-Trade Questionnaire 2013

In 2011, 269 case stories were submitted by beneficiary governments (82), bilateral donors (57), multilateral donors (51), regional economic communities (47), providers of South-south cooperation (7) and civil society and the private sector (47).

Figure 2. Case stories by type of author



Source: OECD/WTO (2013) Aid for Trade in Action

VALUE CHAINS: A PATH TOWARDS DEVELOPMENT

Value chains have become an increasingly prominent feature of world trade and investment. By providing access to networks, global markets, capital, knowledge and technology, integration into a value chain can offer a path towards economic development that is easier to follow than building a fully integrated value chain. With expansion in South-south trade flows, value chains are also becoming more global in their reach and character. Developing economies can integrate into value chains by opening their markets to trade and foreign direct investment, improving their business and investment environment and strengthening their domestic supply-side capabilities.

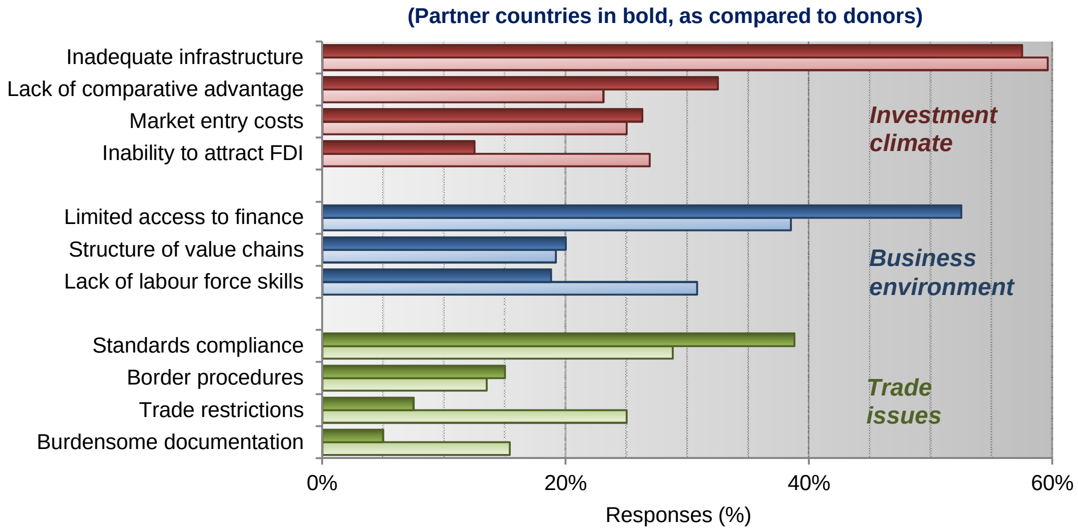
The 2013 Global Review of Aid for Trade focused on value chains as a path towards development. It highlighted that there is much scope to improve the participation of developing countries in VCs. The analysis of value chains in agrifood, information and communication technology (ICT), textiles and apparel, tourism, and transport and logistics value chains highlights that developing countries are integral to these production and service networks. Increased exports and economic growth, together with employment and poverty alleviation, were rated by developing countries as the most important objectives in connecting to value chains.

IMPEDIMENTS TO CONNECTING TO VALUE CHAINS

Many developing countries pay a "competitivity penalty" due to inefficient border procedures, high tariffs, non-tariff barriers that unnecessarily constrain goods or services trade, restrictions on the flow of information, impediments to foreign direct investment and limits on the movement of people. The challenge for developing economies is to design and implement broad strategies that tackle these key barriers to integration and upgrading in value chains.

Partner countries and providers of trade-related assistance highlight three main barriers for developing country firms to connect to value chains (Figure 3): inadequate infrastructure, access to trade finance and standards compliance. They place differing emphasis on lack of comparative advantage, lack of labour force skills, inability to attract foreign direct investment and the effect of trade restrictions.

Figure 3. Public sector views on main barriers to firms entering value chains

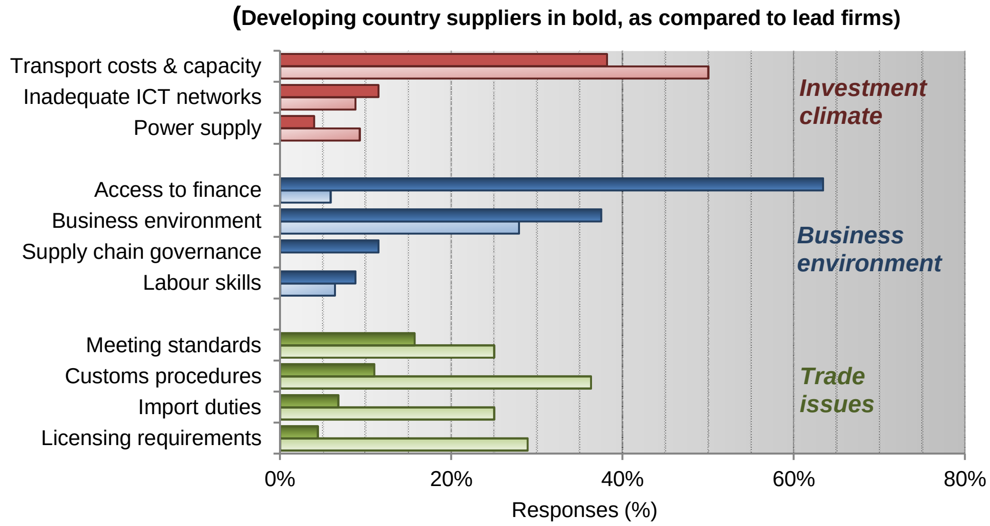


Source: OECD/WTO Aid-for-Trade Questionnaire 2013

The views of the private sector were also sampled across five key sectors that are of particular importance for developing countries: agrifood, ICT, textiles and apparel, tourism and transport and logistics (Figure 4). Supplier from developing country all ranked access to finance (and in particular, trade finance) as the main obstacle preventing them entering, establishing or moving up value chains. They also cited transportation and shipping costs, inadequate infrastructure, and regulatory uncertainty (often tied to a complex business environment) as major obstacles, together with a lack of labour force skills.

Among lead firms customs procedures ranked highly as a particular obstacle to bringing developing country suppliers into their value chains. Other prominent concerns included regulatory uncertainty (reflecting developing country suppliers' issues with the complex business environment) and standards' compliance issues. Informal practices and payment requests were also cited as of particular concern in their relationships with suppliers.

Figure 4. Private sector views on the main barriers firms face entering value chains



Source: OECD/WTO Aid-for-Trade Questionnaire 2013

There is a clear match between the perception of governments, donors and the private sector on the issues to be addressed. The priorities revealed by the survey should provide guidance about where aid for trade should focus to help developing countries connect to value chains. They could also help to establish closer co-operation and synergies between the public and private sector in identifying aid-for-trade projects, financing their implementation, improving their monitoring and impact assessment, and ultimately increasing aid effectiveness. Such an approach is very much in line with the 2005 Paris Declaration on Aid Effectiveness and the 2011 Busan Partnership for Effective Development Cooperation.

AGRIFOOD

The agrifood sector is in a state of dynamic change due to technological progress, logistics innovation and the penetration of global agribusiness companies into local markets. Changes in food retailing are leading to a greater involvement of the private sector in agriculture and a focus on developing and improving agriculture value chains in terms of quality, productivity, efficiency, and depth. As (urban) consumer demand related to safety, quality and convenience grows, the pace of change in food markets is quickening. In many agricultural markets, this is leading to a more active and assertive role for the private sector vis-à-vis the state.

Developing countries process only 38% of their agricultural products compared to 98% in industrialized countries, and industrialized countries add over four times more value when processing agricultural products compared to developing countries. Significant potential exists to add value.

For developing country suppliers, transportation costs and access to finance are the two main difficulties to join or move up the agrifood value chain (Table 1). Lead firms put a greater emphasis on trade issues, including customs procedures, and also on the regulatory and business environment. Firms operating in agrifood value chains have to comply with a variety of food safety regulations: Suppliers consider related certification costs as a major difficulty while lead firms regard inadequate standards infrastructure as an obstacle to establish a commercial presence.

Table 1. Main barriers to connect firm in developing countries to agrifood value chains

Developing country suppliers		Lead firms	
Difficulties to connect developing country suppliers to value chains			
Transportation costs & delays	54%	Customs procedures	51%
Certification costs	41%	Transportation costs and delays	41%
Access to trade finance	34%	Licensing requirements	37%
Supply side constraints		*Obstacles to establish commercial presence*	
Access to finance	52%	Regulatory transparency	50%
Labour skills	38%	Business environment	49%
Transport infrastructure	37%	Standards infrastructure	42%

Source: OECD/WTO Aid-for-Trade Questionnaire 2013

INFORMATION AND COMMUNICATION TECHNOLOGY

Information and communication technology services offer developing countries the potential to integrate into ICT value chains, as distance and scale economies are less important than for manufacturing. Furthermore, ICT services such as telecommunications and computer services are crucial ingredients for the productivity of domestic firms and a country's broader economic development.

ICT manufacturing is highly fragmented internationally with significant trade in intermediate products. Value chains in ICT manufacturing are concentrated in so-called "Factory Asia", with China accounting for 37% of world ICT exports. The spread of mobile telephony has been a success story in development with mobile phone penetration in LDCs increasing from 7% in 2005 to 46% in 2011. However, the digital divide between developed countries and developing countries remains wide, with only 7% of LDC inhabitants using the internet, while fixed broadband penetration is below 1%.

Similar to other value chains, ICT firms consider access to finance and the business and regulatory environment as main barriers (Table 2). More specific to ICT is that both suppliers and lead firms regard customs procedures as a major difficulty, reflecting the importance of time in the trade of ICT products, while suppliers struggle to find personnel with adequate skills. Finally, developing country suppliers also experience difficulties with internet access, which is crucial for ICT services firms.

Table 2. Main barriers to connect firms in developing countries to ICT value chains

Developing country suppliers		Lead firms	
Difficulties to connect developing country suppliers to value chains			
Access to trade finance	49%	Customs procedures	44%
Customs procedures	28%	Licensing requirements	44%
Unreliable/slow internet access	24%	Import duties	37%
Supply side constraints		*Obstacles to establish commercial presence*	
Access to finance	46%	Business environment	58%
Labour skills	44%	Regulatory transparency	58%
Business environment	33%	Inadequate standards infrastructure	38%

Source: OECD/WTO Aid-for-Trade Questionnaire 2013

TEXTILES AND APPAREL

The textiles and apparel industry plays a central role in the industrial development of many low income and least-developed countries (LDCs). The industry, particularly the apparel sector, accounts for a significant share of total manufacturing exports for some LDCs, such as Lesotho (70%), Bangladesh (71%), Cambodia (85%) and Haiti (86%). It has also generated significant employment opportunities for unskilled workers, most of them women.

Supply chains have undergone profound reconfiguration since the quantitative restrictions in global textiles and clothing trade expired and the market is demanding “fast fashion”. This reconfiguration has put a premium on shorter delivery cycles, improvements in factory skills and supply chain management, including fabric production, material sourcing and finishing process. Supply chain consolidation has been one result, with fewer countries and larger suppliers and the emergence of strategic sourcing relationships.

Trade policies such as import duties and export/import licensing requirements remain important barriers in the textiles and apparel industry (Table 3). Furthermore, both developing county suppliers and lead firms regard customs procedures as a major obstacle to integrate or move up in the textiles and apparel value chain. Efficient customs procedures are extremely important in a value chain that is characterised by low retail inventories, high order volumes and just-in-time manufacturing processes that respond swiftly to changing fashion trends. The need for speed is also apparent in the high priority given to constraints related to transportation costs and delays and inadequate transport infrastructure.

Table 3. Main barriers to connect firms in developing countries to textiles value chains

Developing country suppliers		Lead firms	
Difficulties to connect developing country suppliers to value chains			
Access to trade finance	54%	Customs procedures	48%
Customs procedures	49%	Inadequate transport capacity	39%
Transportation costs & delays	42%	Licensing requirements	36%
Supply side constraints		*Obstacles to establish commercial presence*	
Business environment	50%	Business environment	59%
Access to finance	47%	Transport infrastructure	38%
Labour skills	45%	Regulatory transparency	34%

Source: OECD/WTO Aid-for-Trade Questionnaire 2013

TOURISM

Tourism arrivals surpassed one billion for the first time in 2012. Despite occasional shocks, international tourist arrivals have enjoyed virtually uninterrupted growth – from 277 million in 1980 to 528 million in 1995, and 1.035 billion in 2012. Developing countries are playing an increasingly prominent role in this expanding sector. Tourism is one of the top three exports for the majority of developing countries and the lead export for at least 11 LDCs.

Tourism is employment intensive and has strong backward linkages to many other parts of the economy. To fully exploit these linkages and the development potential of tourism, increased co-ordination at the national level between ministries, business communities and local authorities as well as at the international level is required.

Labour skills are a particular constraint faced by developing country suppliers (Table 4). The role of skills does not come as a surprise given the frequency and importance of personal contacts between service providers and clients in the tourism sector. The availability and quality of infrastructure plays a key role in the development of the tourism sector. Openness to imports, security and a smoothly functioning visa scheme are further elements that are crucial for the tourism sector to engage in a strong and sustainable growth path.

Table 4. Main barriers to connect firms in developing countries to tourism value chains

Developing country suppliers		Lead firms	
Difficulties to connect developing country suppliers to value chains			
Labour skills	47%	Access of suppliers to finance	52%
Business environment	47%	Visa regimes for foreign tourists	44%
Access to finance	42%	Business environment	44%
Transport infrastructure	29%	*Obstacles to establish commercial presence*	
Domestic licensing requirements	24%	Business environment	50%
Supply chain governance	24%	Inadequate standards infrastructure	46%
		Transport infrastructure	41%

Source: OECD/WTO Aid-for-Trade Questionnaire 2013

TRANSPORT AND LOGISTICS

In addition to its role as a value chain, the transport and logistics sector is also crucial for the performance of other economic sectors. Manufacturing and agriculture both depend on being able to ship goods to consumers quickly, cost-effectively and reliably. Data suggest that countries with better logistics performance tend to specialise more in manufacturing value chains.

Inadequate transport infrastructure remains a serious constraint in many developing countries hindering the establishment of efficient transport and logistics chains (Table 5). However, there is some evidence of improvement over recent years in Sub-Saharan Africa, the Middle East and North Africa. Investments in physical infrastructure also needs to be accompanied by improvements in soft infrastructure to have maximum impact - including customs and border procedures, in particular customs cooperation, red tape, and private sector development.

Governance remains a significant constraint. Excessive red tape often means that operators are more willing to make unofficial "speed money" payments, so increasing the cost and uncertainty of doing business. Reducing red tape barriers and improving border processes can reduce the incentives to make irregular payments - and increase government revenue generated.

Table 5. Main barriers to connect firms in developing countries to transport and logistics value chains

Developing country suppliers		Lead firms	
Difficulties to connect developing country suppliers to value chains			
Customs procedures	42%	Customs procedures	70%
Transport capacity	39%	Inadequate transport capacity	47%
Port dwell times	37%	Port dwell times	37%
Informal or corrupt practices	37%	Informal or corrupt practices	33%
Supply side constraints		*Obstacles to establish commercial presence*	
Transport infrastructure	48%	Regulatory transparency	61%
Access to finance	47%	Transport infrastructure	50%
Lack of transparency in regulatory environment	40%	Labour skills	46%

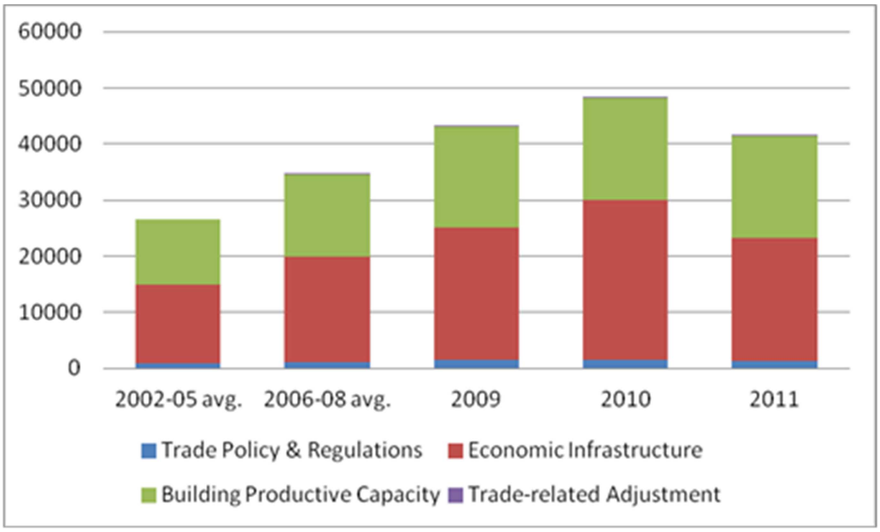
Source: OECD/WTO Aid-for-Trade Questionnaire 2013

AID FOR TRADE FLOWS

After years of increasing aid flows, the financial crisis and subsequent economic challenges faced by OECD member countries have put pressure on aid budgets and are also reflected in reduction of aid-for-trade commitments. In 2011, a 14% decrease compared to 2010 brought total aid-for-trade commitments back to USD 41.5 billion and in line with the level of previous years (Figure 5). This still constitutes a 57% increase in 2011 compared to the 2002-05 average baseline. Similarly, gross disbursements, which declined by USD 1.3 billion in 2011, were 53% above those in 2006.

The main decline in aid for trade can be attributed to decreased support for economic infrastructure, mainly due to a reduction of large commitments to programmes in the transport and energy sectors (down USD 3.5 billion and USD 3.2 billion, respectively) in Africa. The rise in support for building productive capacity in 2011 to USD 18 billion indicates the increasing priority donors attach to private sector development (commitments to agriculture, industry, and business services rose by a total of 10%). In conjunction, funding for programmes with a trade development objective doubled between 2007 and 2011 to reach USD 5.4 billion.

Figure 5. Aid-for-trade commitments 2002/05 - 2011
(USD million, 2011 constant prices)



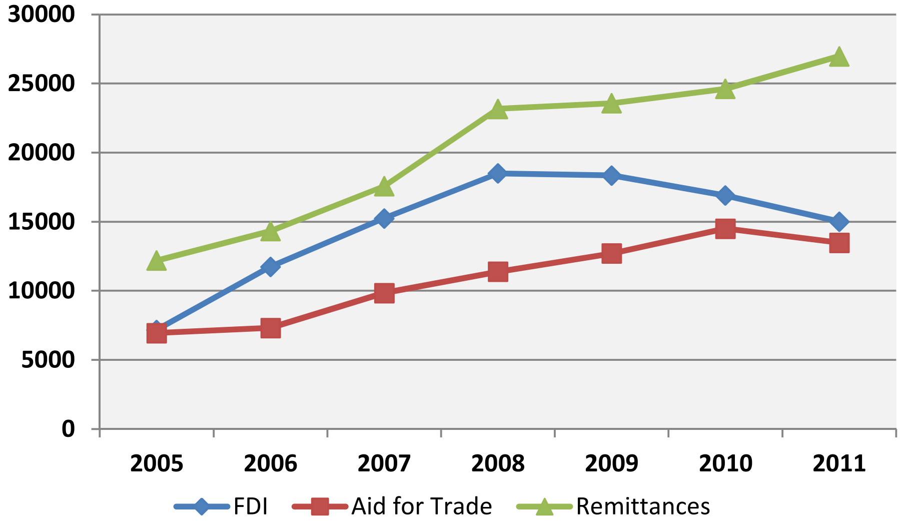
Source: OECD/CRS database

Based on 2012 provisional aggregate amounts, a further decline in aid for trade is possible, with overall ODA falling by 4% in real terms. On the basis of the DAC Survey on Donors' Forward Spending Plans, a moderate recovery in overall aid levels is expected in 2013. While the outlook points to either stagnation or further modest declines in aid flows, the G20 has pledged to maintain aid-for-trade resources beyond 2011 - at average commitment levels for 2006-2008.

Furthermore, the findings of the OECD/WTO monitoring survey suggest that most providers of South-South trade-related co-operation plan to increase their resources. In addition, collaborative private sector ventures and value chain investments are growing in number and impact and are charting an innovative way forward for business involvement in trade-related capacity building.

The development finance landscape is changing. In 2011, remittances of USD 27 billion constituted the largest source of external development finance for LDCs, followed by foreign direct investment (USD 15 billion) and Aid for Trade (USD 13.5 billion) (Figure 6). South-South investment is also increasing in importance in LDCs. Aid for trade needs to work in tandem with these other development finance flows.

Figure 6. Development finance flows in least-developed countries



Source: OECD/CRS database

AID FOR TRADE EFFECTIVENESS

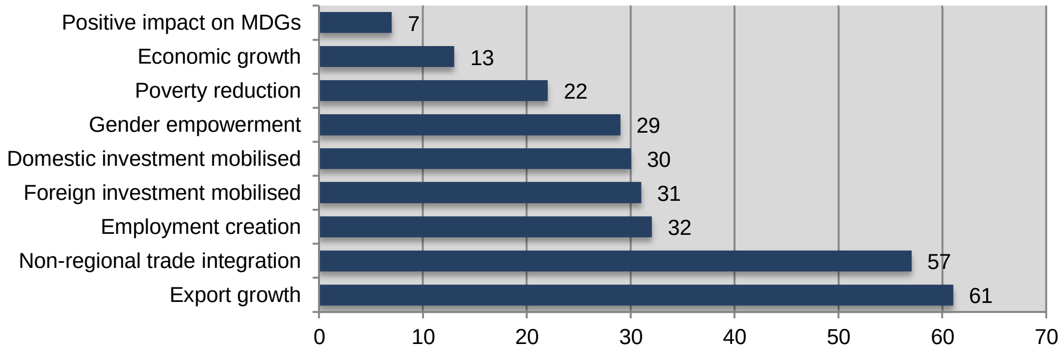
There is now abundant empirical evidence suggesting that aid for trade is broadly correlated with increases in trade. Typically, one dollar invested in aid for trade is on average associated with an increase of nearly USD 8 in exports from all developing countries – while one dollar of aid for the poorest countries amounts to USD 20 in new exports and to USD 9 for all low and lower middle income countries.

Furthermore, there is ample proof that aid for trade is appropriately targeted on lowering trade costs – in the form of additional infrastructure, better institutions such as customs and standards authorities, and more trade friendly policies and regulations, whether in regard to tariffs and non-tariff barriers (NTBs) or regulatory measures that expose logistics companies to new competition. Aid for trade is most effective at increasing trade and promoting trade-led growth when recipient countries have a supportive business environment, particularly stable macroeconomic policies and an investment climate that encourages private investment.

The role of aid for trade in promoting trade in regional and global value chains is starting to receive attention from academic and policy-makers. Three pieces of evidence point to a nontrivial contribution of aid for trade to value chain development. First, aid for trade provided to both sides of the bilateral trading partnership reveals a synergistic effect. This stands to reason: if aid for trade helps making border crossings more efficient on both sides of the border, it will facilitate trade expansion of the bilateral partners as well as third parties. Similarly, aid for trade to infrastructure, such as roads or communication, stimulates cross-border trade. A second indication that aid for trade promotes regional and global value chains is the fact that exports are even higher when the aid for trade recipient is a member of a regional trade agreement, shares a common border, and has a common language. Finally, even more compelling is the direct evidence that aid for trade stimulates trade in intermediate parts and components, key indicators of value chains. Econometric analysis found that aid for trade was positively and significantly associated with the growth in parts and components.

The evidence for Aid for Trade's positive impact on trade development is also buttressed by the results of the 2011 monitoring exercise. This exercise generated a vast amount of unique information through 269 case stories submitted by partner countries, bilateral and multilateral donors and providers of South-South co-operation and regional economic communities. The case stories cover more than 150 countries – ranging from the smallest states, such as Lesotho, Solomon Islands and Comoros, to the largest, such as China and India – and all major developing regions and income categories. The sheer quantity of activities described in these stories suggests that aid-for-trade efforts are substantial, that they have taken root across a wide spectrum of countries, and that they are becoming central to development strategies. The fact that nearly half of the stories were provided by developing countries underlines the salience of these programmes – and highlights the potential for knowledge-sharing.

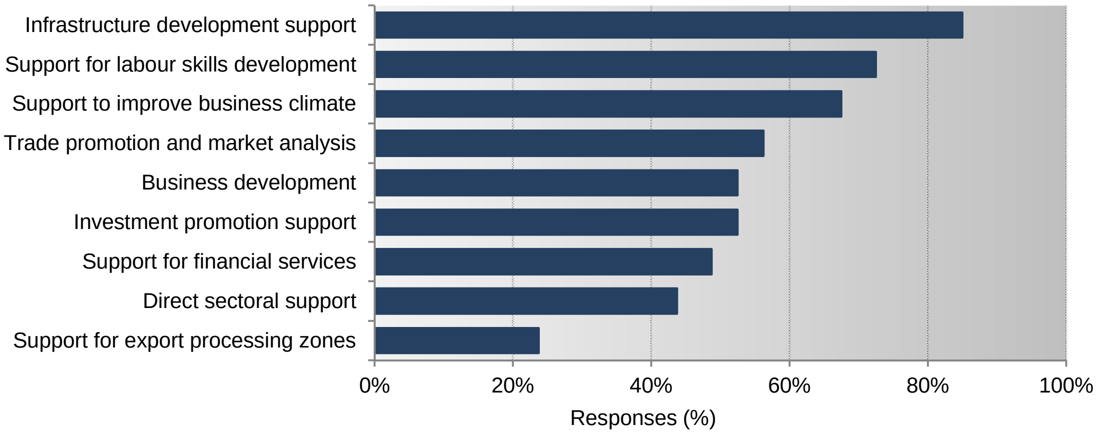
Figure 7. Key results of aid for trade efforts reported in case stories



A large number of stories detail how industry-specific programmes address market failures to help the private sector better access foreign markets and link to VCs. For instance, an aid-for-trade project to support the competitiveness and the sustainability of the agricultural sector in Senegal increased export by almost 80% between 2005 and 2009 and helped create 85 new businesses. Other stories describe how demand-driven, technical capacity-building programmes are helping countries define export-oriented growth strategies. For example, an aid-for-trade programme in Vietnam helped to increase the level of exports to the United States from USD 1.1 billion in 2001 to USD 8.6 billion in 2006, and increased the level of imports from the United States from USD 460 million to USD 1.1 billion. Another case story describes how aid for trade and WTO accession has played a catalytic role in supporting Cape Verde's economic growth strategy – a strategy which has seen the country transform into a globally competitive economy, make significant progress on the Millennium Development Goals (MDGs) and graduate out of the LDC status.

In trade, time is money. Accounts of trade facilitation programmes and economic infrastructure projects, including regional corridors, describe how trade costs are significantly reduced and how regional integration has been boosted. For example, a regional project in East Africa improved transit times at the border from three days to three hours. Another case story describes how improving the international transit of goods between El Salvador and Honduras reduced clearance times from 62 minutes to an average of eight minutes. The project's success has stimulated interest in neighbouring countries and the project has been extended to Mexico, Guatemala, Nicaragua, Costa Rica and Panama.

Figure 8. Aid for trade effectiveness according to developing countries

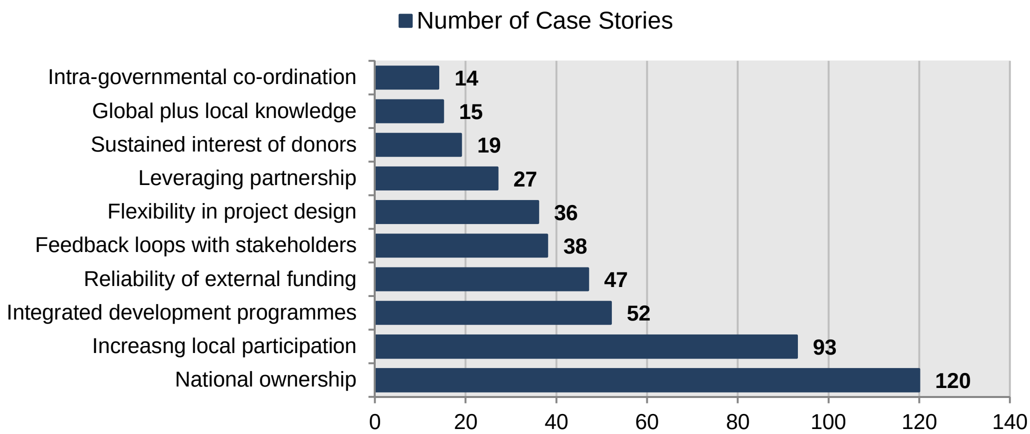


AID FOR TRADE SUCCESS FACTORS

Country ownership at the highest political level and effective intra-governmental coordination are frequently reported as critical factors for success in the case stories. Active local participation and involvement of stakeholders (including the private sector and civil society) in the preparation and implementation of activity is also crucial. Integrated approaches to development, for instance, by combining public and private investment with technical assistance, increase the success rate. Equally, long-term donor commitment and adequate and reliable funding are considered essential.

Other elements of success in the case stories include leveraging partnerships − including with providers of South–South co-operation − keeping project design flexible to facilitate adjustments in initial plans, and sharing knowledge and transferable lessons at local and global levels. Furthermore, supportive macroeconomic and structural policies as well as good governance are also vital for delivering the longer-term trade and development objectives of the Aid-for-Trade Initiative. Conversely, delays and changes caused by exogenous factors such as natural disasters, political crises and global recessions threaten successful outcomes.

Figure 9. Key lessons from case stories



Source: OECD/WTO (2013) Aid for Trade in Action

THE WAY FORWARD

Much has been achieved since the start of the Aid-for-Trade Initiative in 2005. Successive Global Reviews of Aid for Trade and editions of *Aid for Trade at Glance* have clearly shown that aid for trade is bettering the lives of many men and women in developing countries. Comprehensive monitoring has provided clear evidence that the Initiative has resulted in the prioritisation of trade objectives in development strategies and has galvanised donor support to tackle the bottlenecks that undermine the ability of producers in developing countries to exploit regional and global market access opportunities.

Aid for trade is helping developing countries tap into the power of markets and connect to new growth poles in the global economy. The aid-for-trade case stories also paint an encouraging picture of numerous donor supported, trade-related projects and programmes that are delivering a wide range of tangible results in terms of trade performance, private investment and employment creation in a large number of developing countries. The 2013 joint OECD/WTO monitoring exercise described in this policy brief highlights that these positive trends are continuing.

Since the 2005 WTO Ministerial Conference in Hong Kong agreed on the aid-for-trade mandate (subsequently operationalized by the WTO Task Force in 2006), much has changed in the trade and development environment. Research by the OECD and WTO on trade in value-added is shedding light on the complex production networks that characterise global trade today. The deepening and widening of value chains has boosted the share of intermediate goods and services in trade as more firms and countries join these diffuse networks. Fragmentation of production has created new opportunities for integration into regional and global trade.

Based on the findings of the OECD/WTO monitoring survey, the analysis of aid-for-trade flows, and conclusions in the broader trade and development literature, it appears that the proliferation and deepening of value chains and the concomitant widening of trade opportunities for developing countries further underscores the case for and value of aid-for-trade. Nevertheless, there is room for improvement, such as further engaging providers of South-South trade-related co-operation and the private sector, expanding the focus from ODA to development finance, improving the conditions for regional projects, and better managing aid for trade and development results.

The Global Partnership for Effective Development cooperation, established in 2012, provides a new and comprehensive framework for co-ordinating the efforts of a variety of donors to help developing countries leverage diverse forms of development finance, and for ensuring that all these efforts have a catalytic effect on trade and development. With inclusive economic development becoming a central theme of the post-2015 development debate, there is a clear on-going role for Aid for Trade to contribute to economic inclusion. Research has also highlighted that Aid for Trade can contribute to sustainable economic development and green growth.

At the Bali Ministerial Conference on 2-6 December 2013, Aid-for-Trade stakeholders will repeat the message that they sent at the Fourth Global Review of Aid for Trade in July 2013: Aid for Trade should continue, reinvigorated and with renewed commitment from all stakeholders. By contributing to the inclusive economic growth, Aid for Trade can make a valuable contribution to the post-2015 development agenda.

FURTHER READING

OECD/WTO (2013) Aid for Trade at a Glance: Connecting to Value Chains

OECD/WTO (2013) Aid for Trade in Action

OECD/WTO/UNCTAD (2013) Implications of GVCs for trade, investment, development and jobs

OECD/WTO (2013) Sector Studies on Aid for Trade and Value Chains: Agrifood, Textiles and Apparel, Tourism, Information and Communication Technology, Transport and Logistics