Economic development
- is about increasing the standard of living of a country’s people, through sustained growth and increases in per capita income
- involves improvements in poverty rates, literacy rates and life expectancy
- might also include consideration of environmental quality and social justice

1. GENERAL DESCRIPTION

2. UNDERPINNINGS TO GROWTH AND POVERTY REDUCTION

3. FEEDBACK CYCLE

EDUCATION  HEALTH  INFRASTRUCTURE  EXPORT REVENUES  AID

MACROECONOMIC STABILITY
DEVELOPED FINANCIAL MARKETS
OPEN INTERNATIONAL TRADE
RULE OF LAW/GOVERNANCE

REDUCTION IN POVERTY/INEQUALITY

+ PROGRESSIVE DISTRIBUTION POLICIES (INCOMES POLICY, TAXATION, SOCIAL SAFETY NETS)

PRO-GROWTH REGULATORY ENVIRONMENT

ACCUMULATION OF RESOURCES

= Contributes to..

ARNOLD JORGE 2012
WHAT IS AID FOR TRADE?

“Aid for Trade is about helping developing countries, in particular the least developed, to build the trade capacity and infrastructure they need to benefit from trade opening. It is part of overall Official Development Assistance (ODA) — grants and concessional loans — targeted at trade-related programs and projects.”

World Trade Organization

• Aid for trade is about helping developing countries address their constraints to trade.
• Many developing countries are unable to take advantage of trade opportunities, because they face considerable internal constraints, such as:
  ─ weak public sector institutions, including in formulating economic policy and regulations and negotiating trade agreements;
  ─ poor infrastructure, including roads, ports and information and communications technology; and
  ─ lack of private sector capability, including poor access to finance and distribution channels, and a lack of a skilled workforce.
The Global Agenda

The *Global Aid for Trade Initiative* was launched at the 2005 Hong Kong WTO Ministerial Conference. This set in motion a two-track process:

› WTO Member countries agreed to increase aid for trade, but without setting a target.
› The OECD began a Global Aid for Trade Review, which is conducted every two years.

In 2010, the G20 pledged to ‘at least maintain beyond 2011, aid for trade levels that reflect the average of the years 2006 to 2008 (or US$24 billion)’.

The UN 2030 Agenda for Sustainable Development builds on the Millennium Development Goals. Aid for trade is an element in many of the new SDGs.
As part of its measuring up and reporting processes, the OECD Development Assistance Committee has identified particular development activities as Aid for Trade.

**Trade policy and adjustment**
- Trade policy and administrative management
- Trade facilitation
- Regional trade agreements
- Multilateral trade negotiations
- Trade-related adjustment
- Trade education/training

**Economic Infrastructure**
- Transport and storage
- Communications
- Energy generation and supply

**Building productive capacity**
- Banking and financial services
- Business and other services
- Agriculture
- Forestry
- Fishing
- Industry
- Mineral resources and mining
- Tourism

*Australia’s Aid for Trade Framework*
**AID FOR TRADE – FACTS AND FIGURES**

- Modelling suggests that an increase in the volume of trade of 10 per cent will raise per capita income by over 5 per cent. (Feyrer, James. 2009. ‘Time and Income – Exploiting Time Series in Geography’, NBER Working Paper Series 14910)
- Countries that liberalised their trade regime had 1.5 per cent faster annual growth than before they liberalised. (Wacziarg, R; and Welch KH. 2008. ‘Trade Liberalisation and Growth: New Evidence’. The World Bank Economic Review, 22(2), 187-231)
- Reforms in line with the WTO Agreement on Trade Facilitation could increase global GDP by US$1 trillion per annum and create 21 million jobs, of which 18 million would be in developing countries. (Peterson Institute of International Economics. 2013. Washington DC. Payoff from the World Trade Agenda 2013.)
- The Asia-Pacific region could increase its output by up to US$47 billion each year by eliminating the barriers to women in the workforce. (Asian Development Bank and International Labour Organization. 2011. Bangkok. Women and Labour Markets in Asia: Rebalancing for Gender Equality)
AUSTRALIA’S AID PROGRAM: STRATEGIC TARGET 1:

AID FOR TRADE

PROMOTE ECONOMIC DEVELOPMENT BY INCREASING AUSTRALIA’S AID FOR TRADE INVESTMENTS TO 20 PER CENT OF THE AID BUDGET BY 2020.

In 2015-16, Australia’s aid for trade investments reached $698 million or 17.2 per cent of Australia’s total Official Development Assistance.

In 2016-17, Australia’s aid for trade expenditure is expected to reach $748 million or 19.5 per cent of Australia’s total aid budget.
ESTIMATED AUSTRALIAN ODA USED FOR AID FOR TRADE
WHAT AND WHERE?

• The Australian Aid Policy Refresh (September 2016) retained aid for trade as a priority of the aid program; and
  — aid for trade investments will be 20 per cent of Australia’s total Official Development Assistance by 2020.
• The majority of Australia’s aid for trade assistance was for building productive capacity including in agriculture (55 per cent), economic infrastructure including transport and storage (39 per cent of total aid for trade), and trade policy and regulation (6 per cent).
Australia’s aid for trade was directed towards Global/Multi-country programs (36 per cent), East Asia (20 per cent), the Pacific including Papua New Guinea (24 per cent), South and West Asia (6 per cent), and Sub-Saharan Africa and the Middle East (1 per cent)*.

*13% is direct towards ACIAR.
AID FOR TRADE OBJECTIVES AND PRIORITIES

Objectives

1. Improve the regulatory environment in developing countries
2. Address poor economic infrastructure in developing countries
3. Improve the productive capacity of the private sector in developing countries

Priority areas/sectors

- Trade and investment policy and facilitation
- Global value chains
- Economic empowerment of women
- Infrastructure for connectivity
- Public Private Partnerships
- Economic empowerment of women
- Private sector development
- Agriculture
- Services
- Knowledge and skills development
- Economic empowerment of women
AID FOR TRADE OBJECTIVES AND PRIORITIES

Pursuing these objectives and priorities will help developing countries:
– improve their ability to participate in the global trading system;
– expand their trade and investment;
– foster entrepreneurship and business growth;
– increase productivity in priority economic sectors;
– diversify their economic activity; and/or
– empower women.

Australia’s Aid for Trade Framework
Global Value Chains
- improve customs procedures at the border
- services sector reform to facilitate trade and encourage economic diversity
- modernise and harmonise commercial laws and standards

Trade & Health
- help lawmakers implement effective laws against non-communicable diseases
- connects researchers from developing countries with multinational pharmaceutical companies to address neglected tropical diseases
- help the visually impaired get access to books

Women & Trade
- help women-owned businesses to find export markets
- facilitate cooperatives, improve business management, and access procurement processes

Business & Commerce
- improve bank governance and inter-bank relationships to facilitate trade finance
- help undertake reforms to attract, retain and deepen foreign direct investments
- improve company reporting and governance
Higher incomes, more and better jobs

Objectives—Improve developing countries’ ability to participate in the global trading system; expand their trade and investment; foster entrepreneurship and business growth; increase productivity in priority economic sectors; diversify economic activity and; empower women

AID FOR TRADE PROGRAM LOGIC

Australia’s Aid for Trade Framework

Outputs vary and are specific to the investment activity. e.g. number of officials trained in trade policy, regulations introduced, access to multilateral agreements, development of trade strategies, km of roads constructed/rehabilitated/maintained, number of businesses assisted with exporting, opening of new export markets, recognition of standards or certifications, individuals enrolled in TVET, increased access to financial services, private sector investments leveraged, etc.
2030 AGENDA FOR SUSTAINABLE DEVELOPMENT GOALS

Aid for trade plays a prominent and cross-cutting role in the SDG, including:

**SDG 2**—ending hunger, achieving food security and promoting sustainable agriculture;

**SDG 7**—access to affordable and sustainable energy;

**SDG 8**—decent work and economic growth;

**SDG 9**—building resilient infrastructure, promote inclusive sustainable industrialization and foster innovation;

**SDG 13**—taking urgent climate change action;

**SDG 14**—conserving and sustainable use of the oceans, seas and marine resources for sustainable development;

**SDG 15**—promoting sustainable use of territorial ecosystems, sustainably manage forests, combat desertification, land degradation and halt biodiversity loss.
KEY RESOURCES


• *Aid for Trade Investments - Operational Guidance and Performance Assessment:* http://dfatintranet.titan.satin.lo/managing-aid/aidtrade/Pages/default.aspx

• WTO/OECD Global Review of Aid for Trade and *Aid for Trade at a Glance 2015:* www.aid4trade.org


• *Aid for Trade in Asia and the Pacific:* http://aric.adb.org/aidfortrade2015
How can aid for trade support economic diplomacy?

How can aid for trade support more traditional aid objectives?

How can Posts support the aid for trade priority?