



## Regional: Aid for Trade for Inclusive Growth

Project Name	Aid for Trade for Inclusive Growth
Project Number	52189-001
Country	RegionalPapua New GuineaVanuatu
Project Status	Proposed
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	<b>TA: Aid for Trade for Inclusive Growth</b> Technical Assistance Special Fund US\$ 375,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development
Sector / Subsector	<b>Industry and trade</b> - Industry and trade sector development - Trade and services
Gender Equity and Mainstreaming	Some gender elements
Description	<p>The proposed knowledge and support technical assistance (TA) will support ADB's knowledge contribution towards the World Trade Organization (WTO)-led Aid for Trade (AfT) initiative, including participation at the Global Review of AfT. The Global Review, hosted every two years by the WTO, brings together stakeholders to advance the AfT agenda in a coordinated and effective manner. ADB's main contribution consists of a research report, Aid for Trade in Asia and the Pacific, launched at the Global Review. The report provides updates on trends and patterns of trade costs and AfT in Asia and the Pacific, in addition to in-depth analyses on topical issues relating to the inclusiveness and sustainability of trade growth, in the context of a biennial Work Program approved and circulated by WTO's Committee for Trade and Development (CTD) to guide the overall focus of each Global Review.</p> <p>The TA is included in the management-approved annual work program for the Economic Research and Regional Cooperation Department (ERCD) as a policy research agenda for the benefit of developing member countries (DMCs).</p>

International trade has been instrumental to rapid economic growth and poverty reduction in Asia and the Pacific, and it will continue to play an important role in achieving the Sustainable Development Goals. However, many developing countries, particularly the least developed, face challenges to fully benefiting from trade liberalization due to various obstacles, including supply side capacity and trade-related infrastructure, that constrain engagement in international trade. Moreover, within countries, the benefits of trade liberalization are not always shared equitably amongst all segments of the economy with small and medium scale enterprises and women-led firms typically at a disadvantage. To fully realize potential trade outcomes for inclusive growth, greater focus must be placed on trade liberalization and policy adjustments, as well as the investments necessary to address capacity and infrastructure constraints. These challenges are exacerbated by the existing knowledge gap on the important role of AfT in helping DMCs address constraints to inclusive trade.

The AfT initiative was launched by the WTO at its Sixth Ministerial Conference in Hong Kong in 2005 to encourage developing country governments and donors to recognize the role that trade can play in development. The objective of the Initiative, as stated in its mandate, is to help developing countries and particularly least developed countries, to build the supply-side capacity and trade related infrastructure that they need to implement and benefit from WTO agreements and to expand their trade. Broadly, AfT aims to help recipients maximize the benefits of trade openness by improving their trade and productive capacities, infrastructure, and institutions. At a more basic level, the Aid for Trade initiative also seeks to mainstream trade liberalization through aid for trade policy and regulations, which aims to help recipient economies engage in trade policy reform.

Since then, AfT has become an increasingly important part of official development assistance (ODA) grants and concessional loans targeted at trade-related programs and projects. An ADB report documents that since 2005, AfT disbursements grew faster than ODA and reached \$32.9 billion in 2015 from a baseline of \$11.8 billion in 2002-2005. Asia and the Pacific are the largest recipient of AfT with disbursements in 2015 at \$36.3 billion or 38.2% of total ODA to the region. AfT is also an integral part of ADB's support for regional cooperation and integration and inclusive development. In 2016, ADB's AfT commitments reached \$2.0 billion, an increase of \$1.4 billion compared with the 2002-2005 baseline average of \$625 million, accounting for about 73% of ADB's total ODA. Over 67% of ADB's AfT in the region targets infrastructure, especially transport and storage, and communications.

The centerpiece event of the AfT initiative is the Global Review, held every two years since 2007 at WTO in Geneva. It brings together stakeholders to take stock of progress and challenges, and strengthen monitoring and evaluation, in order to advance the AfT agenda in a coordinated and effective manner. ADB is an important partner at the Global Review, and contributes by launching a regional report Aid for Trade in Asia and the Pacific, at the event. The report provides an update on the latest trends and patterns of AfT in Asia and the Pacific, and an in-depth analysis of topical issues guided by the two-year Work Program outlined by WTO's Committee for Trade and Development. Past editions have covered the following themes: (i) driving private sector participation in global value chains; (ii) thinking forward about trade costs and the digital economy; and most recently, (iii) promoting connectivity for inclusive development through trade in services and the digital economy. ADB also participates in the associated discussions by organizing a ministerial level regional plenary session and other side events.

Global trade growth, in terms of volume, accelerated to 4.7% in 2017 from 1.8% in 2016 surpassing global economic growth for the first time since 2012. The broad-based upturn of the global economy was buoyed by the investment-led recovery in advanced and emerging economies, as well as the strengthening of manufacturing activity, providing significant boost to global trade. Asia remained the key driver of global trade, contributing about 35% of the total volume growth. The region's trade volume growth reached 7.1% in 2017, the highest since 2011 and largely supported the region's GDP growth. Moreover, Asia's services trade grew 6.2% in 2017 from 1.7% in 2016, eclipsing merchandise trade growth since 2013 and accounting for more than a quarter of global services trade. Trade in services has strong potential to promote inclusive economic performance and create new business and employment opportunities. Empirical analysis indicates that AfT has played an essential role in the region's positive trade performance in both goods and services, as well as helped to generate inclusive employment opportunities. Still, the current global economic environment continues to pose challenges. At a time when uncertainty about the global economic environment, the rise of protectionist tendencies and challenges to the multilateral global trade architecture threaten the nascent recovery in trade growth, the capacity of AfT measures to produce positive results becomes more prominent, which includes building a case for the importance of continued trade liberalization. Moreover, given the multidimensional and integrated approach of AfT in promoting trade, interventions can be further well-targeted to advance inclusive growth and sustainable development. In consultation with the regional departments at ADB (in the process drawing upon lessons from ADB's operational efforts to help develop the supply side capacity and trade related infrastructure), as well as stakeholders amongst policy makers and the private sector of the region, the research carried out by the Regional Cooperation and Integration Division (ERCI) will inform discussions on how to leverage AfT most effectively for achieving inclusive and sustainable growth. ERCI will also continue to strengthen ADB's partnerships with WTO and development partners including the Australian Department of Foreign Affairs and Trade (DFAT).

Under ADB's Strategy 2030, ADB will sustain its efforts to eradicate extreme poverty, given the region's unfinished poverty agenda, and expand its vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. Towards this end, the Operational Plan for RCI (2016-2020) identifies increased opportunities for cross-border trade and investment amongst key elements for raising competitiveness in connected markets, which in turn is essential for generating inclusive and sustainable growth. The Operational Plan for RCI places a special emphasis on the needs of landlocked and small island economies.

ADB will also further strengthen its role as a knowledge provider. Strategy 2030 underscores the value of ADB's knowledge and evidence-based research in raising understanding and awareness about critical areas and sectors for action; supporting good policies and reforms by DMCs; and in contributing to global development discussions by offering perspectives from Asia and the Pacific. Through its contribution and participation at the Global Review (through knowledge products and events), ADB contributes to a better awareness of how AfT can play an effective role in helping developing countries maximize the benefits of trade liberalization in an equitable manner, and leverage trade for inclusive and sustainable growth trade.

Impact	Opportunities for further trade growth in Asia and the Pacific maximized DMCs' integration into the global economy heightened through increased trade openness
Outcome	DMCs' understanding of relevant trade opportunities, bottlenecks, and issues improved
Outputs	Aid for Trade in Asia and the Pacific publication disseminated Knowledge sharing events organized Background papers published
Geographical Location	Papua New Guinea - Nation-wide; Vanuatu - Nation-wide

### Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

### Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

### Business Opportunities

Consulting Services	<p>Individual consultants will be recruited as needed for the duration of the TA cluster to provide an estimated 30 person-months of international consulting inputs, including resource persons to be engaged for the conferences and other knowledge-sharing events, and 138 person-months of national consulting inputs. The consultants will be engaged in accordance with the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. Hiring a team of individual consultants will provide more benefits for ADB than engaging a firm due to the following reasons: (i) faster mobilization of consultants, (ii) greater control by implementing agency in selecting and managing consultants, and (iii) greater flexibility in engaging experts specializing in a broad spectrum of AfT-related topics.</p> <p>International consultants will be commissioned to prepare background research papers for selected topics in the AfT reports, and to edit the TA related publications and written outputs. National consultants will include research and economic analysts, who will assist ADB in the delivery of the TA's core outputs and in the preparation of the TA's publications and seminars. Other national consultants, including typesetters/graphic designers and proofreaders will be engaged for the publication of AfT and other reports and papers. Resource persons, who are internationally distinguished experts and could include ADB staff, will be engaged to present or facilitate discussions at seminars and other events.</p> <p>A team of ERCI staff comprising of two international staff members (one of them acting as the project leader as well as the leader of the team of consultants), one national officer, one operations coordinator, and one operations assistant will oversee and manage the implementation of the TA.</p>
Procurement	<p>Purchases of information and communication technology-related equipment and/or supplies and econometric or statistical programs and/or software will be undertaken in accordance with ADB Procurement Policy (2017, as amended from time to time) and the Procurement Regulations for ADB Borrowers (2017, as amended from time to time), and in coordination with ADB's Office of Information Systems and Technology and Office of Administrative Services, where applicable. After the TA is completed, any procured equipment will be disposed of in compliance with Administering Grant-Financed Technical Assistance Projects in the Project Administration Instructions. Disbursements under this TA will be made in accordance with ADB's Technical Assistance Disbursement Handbook (2010, as amended from time to time).</p>

Responsible ADB Officer	Khan, Fahad H.
Responsible ADB Department	Economic Research and Regional Cooperation Department
Responsible ADB Division	ERCI
Executing Agencies	<i>Asian Development Bank 6 ADB Avenue, Mandaluyong City 1550, Philippines</i>

### Timetable

Concept Clearance	30 Jun 2020
Fact Finding	-
MRM	-
Approval	-
Last Review Mission	-

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Project Page	<a href="https://www.adb.org/projects/52189-001/main">https://www.adb.org/projects/52189-001/main</a>
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