



Greening Aid for Trade and Sustainable Development:

Financing a just and fair
transition to sustainable trade

IISD REPORT



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Greening Aid for Trade and Sustainable Development: Financing a just and fair transition to sustainable trade

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Executive Summary

Addressing the urgent global crises of biodiversity loss, climate change, and pollution will require stronger efforts to harness trade and trade policy for sustainable development across its social, environmental, and economic dimensions. As governments, businesses, and citizens work to promote the massive economic transformation required to achieve a greener global economy and the United Nations Sustainable Development Goals (SDGs), Aid for Trade (A4T) is an important component of the financing and international cooperation needed.

This scoping paper explores how A4T could be better harnessed as a vehicle for mobilizing the partnerships and resources vital to advancing a just and fair transition to sustainable trade and supporting the global public goods of strengthened environmental protection and sustainable development.

At the World Trade Organization (WTO), the importance of trade-related capacity building and technical assistance on matters of the environment and sustainable trade is a recurring theme of discussions in the work of its regular committees, including the Committee on Trade and Environment and the Committee on Trade and Development. At the WTO's 12th Ministerial Conference in June 2022, WTO members highlighted the importance of providing relevant support to developing country members, especially least developed countries, to achieve sustainable development, including through technological innovation. This statement echoed the affirmation by G20 Trade Ministers in 2021 of the importance of “providing appropriate support to developing and least developed countries in order to help their national transition towards resource-efficient, sustainable, climate- and environment-friendly development, enhance their resilience, and better enable them to seize sustainable trade opportunities through Aid for Trade” (G20, 2021).

In December 2021, growing interest in harnessing A4T as a vehicle for enhanced international cooperation on the environmental dimensions of sustainable trade was also affirmed in WTO Ministerial statements on trade and environmental sustainability (now co-sponsored by 75 WTO members) and on plastic pollution (now co-sponsored by 72 WTO members).

In July 2022, the Aid for Trade Global Review, with its theme of “empowering connected, sustainable trade,” provided governments and stakeholders opportunities to focus on how to update their A4T priorities to incorporate a stronger focus on environmental priorities informed by the SDGs.

To inform such efforts, this scoping paper explores how A4T could better support the interlinked green global economy and sustainable development agendas. It emphasizes that A4T is one element of the comprehensive approach needed to increase investment and foster partnerships for a just and fair transition to a green and inclusive global economy. A4T is not a stand-alone issue but a necessary part of wider efforts to ensure that trade policies and rules promote environmental sustainability while addressing the sustainable development priorities of developing countries, as well as their economic and institutional constraints.

This paper also underlines the importance of developing countries being in the driver's seat with regard to the prioritization and coordination of A4T, including on issues of



environmental sustainability. Key to success will be investments in national processes for integrated decision making and stakeholder consultation on the role of trade and trade policies on all three dimensions of sustainable development.

Looking ahead, this paper proposes that greening A4T calls for a nuanced approach that combines simultaneous action through six complementary pathways that are aligned with developing countries' sustainable development priorities:

1. Mainstreaming environmental considerations in A4T planning, programs, and projects, ensuring that all A4T projects address environmental risks and adaptation challenges, while responding to green trade opportunities.
2. Securing new and additional financing for environment-related A4T activities that support sustainable trade strategies in line with the sustainable development priorities of developing countries, such as economic diversification and climate-resilient development.
3. Ensuring that A4T monitoring systems accurately capture and report information about the environmental purposes, dimensions, and impacts of A4T projects.
4. Integrating trade considerations into existing climate and environment funding initiatives and wider development assistance, especially for tradeable sectors where environmental concerns and opportunities are high (e.g., ranging from the blue economy and tourism to agriculture and natural resources).
5. Strengthening South–South cooperation on sustainable trade, including by learning from and building on developing countries' experiences and existing practices that support environmental sustainability in trade.
6. Fostering stronger coherence between A4T and wider efforts key to financing just and fair transitions to a green global economy, including trade finance, environment-related development assistance, climate finance, debt relief, and private sector investment, as well as the financial and technical cooperation mechanisms of international environmental agreements.

This paper provides suggestions for actions that can be taken through a variety of international processes and organizations, with a focus on the WTO and the Organisation for Economic Co-operation and Development, each of which plays a central role in A4T. It also sets out what donors and partner countries can do to support this agenda at the national level, as well as through regional, South–South, and multilateral cooperation. It recommends, for instance, that WTO members seize the momentum provided by the 2022 Aid for Trade Global Review, and forthcoming meetings of the Committee on Trade and Development (the key WTO committee responsible for the Aid for Trade Initiative) to catalyze dialogue and action on green A4T that serves sustainable development. Alongside, it highlights the role that the WTO's Committee on Trade and Environment—and as well as the new member-led initiatives at the WTO on environmental sustainability, plastic pollution, and fossil fuel subsidy reform—can play in promoting dialogue, identifying priorities, sharing experiences and lessons learned, and catalyzing cooperation on ways forward.



Table of Contents

1.0 Introduction	1
2.0 Aid for Trade	5
2.1 Origins of A4T	5
2.2 Scope of Aid for Trade	6
2.3 Priorities and Assessments to Date	8
2.4 Evolution of A4T Discussions and Recent Developments Relevant to Environmental Sustainability	10
2.5 Wider Context for Greening A4T Discussions: COVID-19 and environmental crises	15
3.0 A4T: Institutional approach and landscape of actors	17
3.1 Institutional Features and Approach	17
3.2 Sample of Multilateral Initiatives and Institutions in the A4T Space	20
3.2.1 The EIF	20
3.2.2 The ITC	21
3.2.3 The Standard and Trade Development Facility	22
3.2.4 Trade Facilitation Agreement Facility (TFAF)	22
3.2.5 WTO Fisheries Funding Mechanism	22
3.3 Other Trade and Sustainable Development Initiatives Relevant to Developing Countries and Greening Aid for Trade	23
4.0 A4T Priorities, Activities, and Funding Related to Environmental Sustainability	25
4.1 Environmental Sustainability in A4T	25
4.2 Sample of Existing Trade and Sustainable Development Initiatives Relevant to Greening A4T	27
4.2.1 UNCTAD	27
4.2.2 UNEP Environment and Trade Hub	29
4.2.3 International Trade Centre: Trade for Sustainable Development and Green2Compete strategies	30
4.2.4 UN Regional Economic Commissions	32
4.2.5 UN Forum on Sustainability Standards	33
4.2.6 The World Customs Organization	33
5.0 Wider Landscape of International Financial Cooperation on Sustainability Relevant to the Greening A4T Discussion	34
5.1 Global Environment Facility	34
5.2 Green Climate Fund	35



5.3 Green Trade Finance	37
5.4 A4T, Debt and Sustainable Trade	39
5.5 Private Finance and Investment	40
6.0 Boosting Support for Environmental Sustainability in Trade: Perspectives, framing, and recent developments	41
6.1 Perspectives: Greening A4T in context	41
6.2 Reframing the Issue of Responsibility	42
7.0 Environment-Related A4T Priorities	45
8.0 Pathways Forward	55
8.1 Priorities	55
8.2 Pathways Forward	55
8.2.1 National Level	57
8.2.2 International Level	58
8.3 Next Steps in 2022	59
References	61



List of Figures

Figure 1. Financing a just and fair transition to sustainable trade: A sample of relevant actors and approaches.....	3
Figure 2. Regional distribution of A4T, 2019 (commitments in USD millions).....	7
Figure 3. Category and sector breakdown of A4T, 2019 (commitments in USD millions)	8
Figure 4. Top 10 providers of A4T for 2019 (commitments in USD millions).....	18
Figure 5. Percentage of funding by GEF focal area	35
Figure 6. Geographic distribution and priority countries for the GCF (as of December 2021)	36
Figure 7. GCF funding amount by target (as of December 2021).....	37

List of Tables

Table 1. Top 20 providers of A4T in 2017, disbursements (USD millions, 2017 constant).....	19
Table 2. Examples of UNCTAD's thematic work on trade and sustainable development	28
Table 3. ITC's four green strategic priorities (2020–2022).....	31
Table 4. ITC's priority intervention areas for 2020–2022	32
Table 5. Synergetic approach to greening A4T.....	48

List of Boxes

Box 1. A4T and the UN SDGs.....	11
Box 2. Trade and environmental sustainability in the EIF.....	21
Box 3. The International Union of Credit and Investment Insurers (Berne Union).....	39
Box 4. Consumption-based environmental footprint accounting.....	44
Box 5. UNEP recommendations on greening A4T	48
Box 6. A4T for climate mitigation and adaptation.....	50
Box 7. Trade and the Paris Agreement.....	51
Box 8. A4T and sustainable infrastructure	51
Box 9. A4T, sustainable trade, and the circular economy.....	52
Box 10. Support for greening customs through A4T	53
Box 11. Linking climate finance and A4T for LDCs.....	54



Abbreviations and Acronyms

A4T	Aid for Trade
AfDB	African Development Bank
ADB	Asian Development Bank
BRI	Belt and Road Initiative
CRS	Creditor Reporting System
DAC	Development Assistance Committee
DPP	Dialogue on Plastic Pollution
EIF	Enhanced Integrated Framework
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GCF	Green Climate Fund
GEF	Global Environment Facility
ICAO	International Civil Aviation Organization
ICTSD	International Centre for Trade and Sustainable Development
IDB	Islamic Development Bank
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
ITC	International Trade Centre
LDC	least developed country
LDCF	Least Developed Countries Fund
MC12	12th WTO Ministerial Conference
MEA	multilateral environmental agreement
MSME	micro, small, and medium-sized enterprise
NAPA	National Adaptation Programmes of Action
NDC	nationally determined contribution
ODA	Official Development Assistance
SCCF	Special Climate Change Fund
SDGs	United Nations Sustainable Development Goals
SIDS	Small Island Developing States



STDF	Standard and Trade Development Facility
TESSD	Trade and Environmental Sustainability Structured Discussions
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNFCCC	United Nations Framework Convention on Climate Change
UNFSS	United Nations Forum on Sustainability Standards
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
VSS	voluntary sustainability standard
WTO	World Trade Organization



1.0 Introduction

Addressing the urgent global crises of climate change, biodiversity loss, and pollution will require stronger efforts by governments, businesses, and citizens around the world to harness trade and trade policy for sustainable development in its three dimensions: social, environmental, and economic. The United Nations (UN) Sustainable Development Goals (SDGs) highlight trade as a key means of implementation (UN, 2016). As societies work to tackle COVID-19, calls to “build back better” have also emphasized the need for trade to support a more inclusive, green, and resilient global economy (UNCTAD, 2021a).

Ensuring trade and trade policies support the huge economic transformations—and just and fair transitions—that sustainability requires, will require more effective international partnerships. Aid for Trade (A4T) is an important component of the enhanced financing and international cooperation needed (UN, 2022a, 2021a).

In recent years, environmental sustainability has become increasingly prominent on the A4T agenda, with numerous proposals and reflections on ways forward already on the table. Underpinning this growing attention is the recognition that A4T has a key role to play in mobilizing and channelling the investment and resources that developing countries require in order to build trade-related capacities to benefit from environmentally sustainable trade. These capacities are also needed to adapt, diversify, and build the resilience of their economies in the face of intersecting environmental risks and crises—from desertification, land degradation, and locust plagues to pollution, overexploitation of natural resources, and natural disasters linked to climate change. A4T is also a vehicle that developing countries can harness to build their capacities to shape international trade frameworks and policy agendas on the environment in ways that are both ambitious and fair, address their wider sustainable development priorities, and ensure they are not unfairly disadvantaged.

At the recent World Trade Organization (WTO) 12th Ministerial Conference (MC12), WTO members highlighted the importance of providing relevant support to developing country members, especially least developed countries (LDCs), to achieve sustainable development, including through technological innovations (WTO, 2022b). Meanwhile, in 2021, the importance of strengthening capacity building and technical assistance for developing countries on issues of sustainable trade and environmental sustainability was emphasized as a priority for future work in WTO Ministerial statements on trade and environmental sustainability, plastic pollution and environmentally sustainable plastics trade, and fossil fuel subsidy reform (sponsored by 74, 75, and 45 WTO members, respectively). Beyond the multilateral trade arena, numerous bilateral trade agreements between developed and developing countries include environment or sustainable development provisions (and sometimes chapters) in which developed country governments commit to providing trade-related assistance and cooperation. In addition, a range of multilateral environmental agreements (MEAs) include commitments to provide technical assistance and capacity, including for the implementation of trade measures.

In 2022, the Aid for Trade Global Review at the end of July provided governments and stakeholders with a timely opportunity to review environment-related A4T priorities and



strengthen trade-related support for a just and fair transition to a green global economy that serves sustainable development.

To support these discussions, this scoping paper explores how A4T could better support both the green economy and sustainable development agendas. Its core message is that greening A4T requires simultaneous action through six complementary pathways:

1. Mainstreaming environmental considerations across A4T planning, programs, and projects, and ensuring that all A4T projects address environmental risks and opportunities.
2. Providing new and additional financing for environment-related A4T activities that support sustainable trade strategies in line with the sustainable development priorities of developing countries, such as economic diversification and climate resilient development.
3. Ensuring that A4T monitoring systems accurately capture and report information about the environmental purposes, dimensions, and impacts of A4T projects.
4. Integrating trade considerations into existing climate and environment funding initiatives and wider development assistance, especially for tradeable sectors where environmental concerns and opportunities are high (e.g., ranging from the blue economy and tourism to agriculture and natural resources).
5. Strengthening South–South cooperation on sustainable trade, including by learning from and building on developing countries’ experiences and existing practices that support environmental sustainability in trade.
6. Fostering stronger coherence between A4T and wider efforts key to financing just and fair transitions to a green global economy, including trade finance, environment-related development assistance, climate finance, debt relief, and private sector investment, as well as the financial and technical cooperation mechanisms of international environmental agreements.

A key starting point for this paper is the importance of developing country ownership—meaning that developing countries must be in the driver’s seat in the prioritization and coordination of assistance to their countries. The paper is also grounded in the view that environmentally sustainable trade and a green global economy need to support the wider economic and social dimensions of sustainable development. Similarly, efforts to “green” A4T must recognize sustainable development as an overarching priority.

This paper also emphasizes that greening A4T is not a stand-alone issue. Rather, it should be viewed as central to the comprehensive international policy agenda and partnerships needed to harness trade policies and rules for inclusive, environmentally sustainable trade that supports sustainable development and to ensure that developing countries can shape and benefit from a green global economy. Greater coordination at the policy and institutional levels among key institutions and donors active in supporting a green global economy and sustainability will be vital, along with more integrated policy-making and priority-setting on trade, environment, and sustainable development at the national level within developing countries to guide A4T.



Figure 1. Financing a just and fair transition to sustainable trade: A sample of relevant actors and approaches



This paper offers suggestions on actions that can be taken through a range of international processes and organizations, with a focus on the WTO and the Organisation for Economic Co-operation and Development (OECD), each of which plays a central role in A4T. It also provides specific recommendations on how WTO members could seize on the 2022 Aid for Trade Global Review to catalyze action on green A4T, strengthen cooperation between the WTO’s Committee on Trade and Development and its Committee on Trade and Environment, and harness processes such as the new Trade and Environmental Sustainability Structured Discussions (TESSD) and Dialogue on Plastic Pollution (DPP) initiatives to promote dialogue, identify priorities, and share experiences and lessons learned.

The next section of this paper reviews the evolution of A4T, including its origins and scope, priorities and assessments to date, growth over time, and key actors. Section 3 reviews the institutional approach and landscape of actors engaged in A4T, including a sample of relevant institutions. Section 4 focuses specifically on existing A4T initiatives related to environmental sustainability, including the ways in which environmental concerns are taken up in A4T programs, the key activities that receive support and resources, and the major donors involved.

Section 5 steps back to consider the wider landscape of international financial cooperation on sustainability that is relevant to the greening A4T discussion, while Section 6 highlights different perspectives on greening A4T in the context of wider debates on the nexus of



environment and trade, the combination of sustainable development crises facing many developing countries, and the issue of developed country responsibility.

Section 7 provides an overview of environment-related A4T priorities, and Section 8 concludes with a focus on pathways forward and next steps in 2022.



2.0 Aid for Trade

This section summarizes the origins and scope of A4T, as well as A4T priorities and assessments to date. It then reviews the evolution of A4T discussions and developments relevant to environmental sustainability, as well as the wider context for discussions on greening A4T, including the socio-economic fallout of COVID-19 and escalating environmental crises.

2.1 Origins of A4T

Calls for capacity building, training, and technical support to developing countries have accompanied the global trading system since the 1960s. Discussions intensified after the creation of the WTO in 1994 when developing countries faced the costs of implementing a sweeping set of new multilateral trade rules alongside a range of obstacles that prevented them from engaging in international trade (OECD, 2001; United Nations Conference on Trade and Development [UNCTAD], 2008, p. 2). The particular challenges facing LDCs were also recognized with the creation of an integrated framework for support at a High-Level Meeting on LDCs' Trade Development held at the WTO in 1997 (WTO, n.d.e).

In the lead-up to the 2001 Doha Ministerial Conference, developing countries raised a suite of implementation-related issues and concerns about WTO agreements. Alongside this, a range of international organizations and experts recognized the need for greater support to build the trade capacity of developing countries (WTO, 2001), acknowledging that trade liberalization on its own is unlikely to benefit all developing countries, especially where they lack sufficient supply-side capacity and investment. For their part, developing countries underlined that the growing emphasis on trade-related assistance to developing countries must not be a substitute for fairer trade rules and policy space to pursue national development strategies (CUTS International, 2005). They further argued that market access was necessary but not sufficient to expand their participation in and benefits from global trade.

By 2005, the concept of A4T was officially institutionalized at the Sixth WTO Ministerial Conference in Hong Kong with the launch of the Aid for Trade Initiative “to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO agreements and more broadly to expand their trade” (WTO, 2005).

In 2006, a task force established by the WTO Director-General reported its recommendations on how the Aid for Trade Initiative should be operationalized (WTO, n.d.a). Among other recommendations, the task force argued that A4T should focus on encouraging developing or recipient countries to prioritize trade in their development plans, spurring donors to prioritize funding for trade and bridging the gap between recipient and donor countries. To promote transparency and accountability, the task force also recommended the establishment of a periodic Global Review based on reports from various stakeholders (WTO, n.d.a).



2.2 Scope of Aid for Trade

The Aid for Trade Initiative is guided by a biennial work program that establishes broadly shared priorities. The specific projects that fall under the rubric of A4T are, however, funded directly by a diverse range of bilateral, regional, and multilateral donors (including through some joint funds and initiatives as discussed below). In terms of intergovernmental deliberations at the WTO, A4T falls under the responsibility of WTO Committee on Trade and Development, which is also mandated to approve, provide guidelines for, and review the WTO Secretariat's own biennial technical assistance and training plan (WTO, n.d.g).

The WTO General Council has called on the Committee on Trade and Development to conduct periodic Global Reviews to evaluate and monitor progress. The WTO Secretariat and the OECD jointly monitor A4T flows and lead this work on the periodic Global Reviews, which have been held biannually since 2007 (the 2021 Global Review was postponed to July 2022 due to the COVID-19 pandemic).

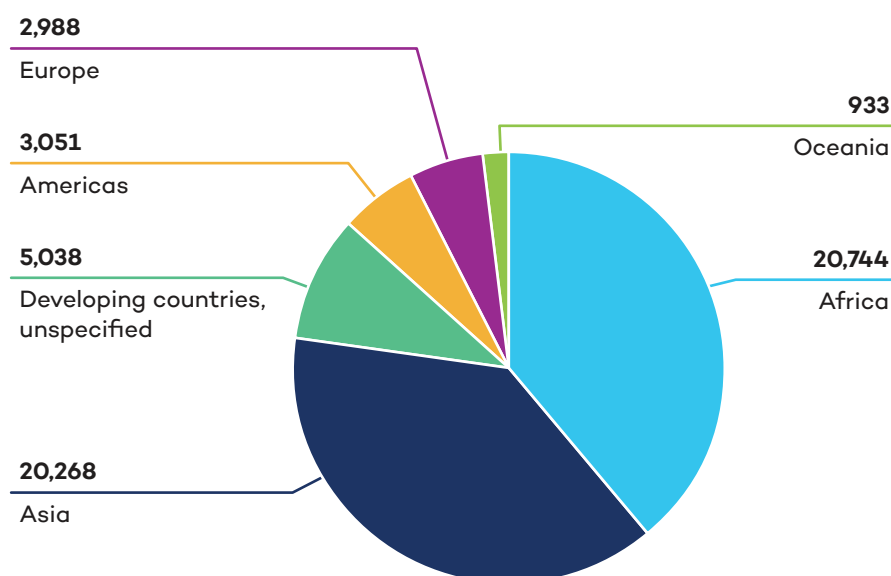
A4T activities are generally tracked in five monitoring categories:

- Technical assistance for trade policy and regulations—helping countries develop trade strategies and policies, participate in negotiations, and implement trade policies and rules.
- Trade-related infrastructure—investing in roads, ports, telecommunication, and energy networks that are central to international trade.
- Building productive capacity, including trade development—assisting countries in strengthening and diversifying key economic sectors to be competitive in export markets.
- Trade-related adjustment—assisting developing countries and LDCs in meeting the costs associated with trade liberalization, such as preference erosion, loss of customs revenue, or declining terms of trade.
- Other trade-related needs.

Resources mobilized for A4T have increased over time. Between 2006 and 2017, almost 180,000 A4T projects were funded, and some USD 409 billion was disbursed, along with USD 346 billion in concessional loans (OECD & WTO, 2019). Figure 2 shows the number of projects per region, with Africa receiving the largest amount of A4T assistance. Since the Aid for Trade Initiative was launched, some 30% of the total A4T has gone to LDCs (OECD & WTO, 2019, p. 210).



Figure 2. Regional distribution of A4T, 2019 (commitments in USD millions)



Source: OECD, 2021b.

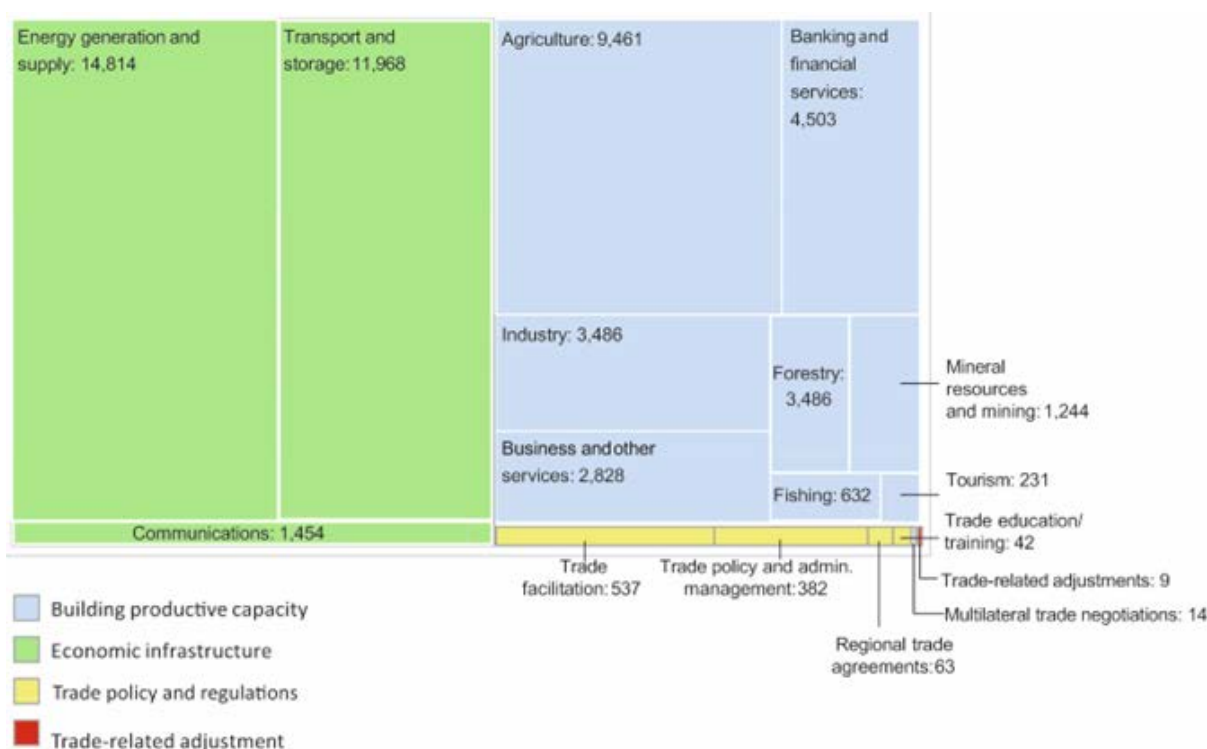
During its first decade, more than three quarters of total A4T disbursements went to four sectors, namely transport and storage, energy generation and supply, agriculture, and banking and financial services (Lammersen & Roberts, 2015, p. 10). Notably, the first three of these have clear environmental dimensions—both challenges and opportunities. Transport, energy, and agriculture are, for instance, high-carbon sectors with extensive environmental footprints unless the assistance provided is designed to support environmental outcomes.

A4T makes up a significant portion of development assistance, accounting for an estimated 30% of total official development assistance (ODA) between 2006 and 2016, or around USD 25 to 30 billion per year (OECD & WTO, 2019, p. 210). In 2019, the total amount of ODA that donors marked as related to A4T amounted to some USD 46.6 billion, representing roughly one quarter of ODA for that year (Cattaneo, 2021).

Notably, most A4T for LDCs goes to infrastructure (55%) and building productive capacity (43%) (see Figure 3). According to the OECD and WTO (2019), support for trade policy and regulations, including trade facilitation, represented only 2%, and the share for trade-related adjustment was extremely limited.



Figure 3. Category and sector breakdown of A4T, 2019 (commitments in USD millions)



Source: OECD, 2021b.

2.3 Priorities and Assessments to Date

As noted above, the Aid for Trade Initiative emerged to help address the challenges developing countries face in implementing trade rules and participating in global trade (Alonso, 2016). It is also a vehicle for developed countries to implement their commitments to provide technical assistance and capacity building to developing countries. Several WTO agreements include technical assistance and capacity-building commitments, as do a number of bilateral and regional trade agreements. To place the current discussion of green A4T in context, this section reviews a sample of key messages from A4T assessments to date from both official sources and external analysts.

For developing countries, key A4T priorities to date have been economic diversification; addressing gaps in trade finance; attracting private sector investment (especially as traditional aid flows are consistently under stress); and supporting the development of relevant policy and regulatory capacities. Notably, developing countries have also argued that capacity building is not an alternative to the enduring need to improve the fairness of international trade rules and policy space to pursue development priorities.

In its early years, the Aid for Trade Initiative attracted considerable interest and analysis, including proposals on how aid and trade could be more mutually supportive (Evenett, 2008; Njinkeu & Cameron, 2008; Page, 2006, 2007a; Puri, 2005, p. 62), and on the role of A4T within the wider development financing landscape (OECD, 2014a; UN, 2015, 2019). Subsequently, assessments of the effectiveness of A4T included studies of the degree to



which A4T improves trade performance (Cali & Willem te Velde, 2011, pp. 725–740) and the structural transformation of economies (Cirera & Winters, 2015).¹ These studies reveal that A4T impacts vary depending on the type of A4T intervention, income level, and geographical region of recipient countries, and the sector to which A4T flows are directed. The literature has emphasized the positive impact of support for trade facilitation and trade-related infrastructure on developing country exports, as well as the contribution of improved trade policy frameworks on lowering the costs of trade.

The literature also includes studies proposing ways to increase A4T's effectiveness (Basnett et al., 2012, 2014), support private sector development and engagement in global supply chains (Solheim, 2013), enhance the role of business in A4T (World Bank, 2011; OECD & WEF, 2015), boost results management (OECD, 2013a, b), and integrate regional perspectives (OECD, 2014b). Finally, a range of proposals has set out the case for a greater role for local non-governmental actors in developing countries—such as civil society groups, research centres, and industry groups—as providers and recipients of capacity building.

Official reviews on the impact of A4T have reported that trade has been increasingly prioritized both in developing countries' national development strategies and in development cooperation programs.² In 2011, for instance, 55% of developing countries reported that they are fully integrating trade into their national development strategies, and 41% reported that they had partially done so (OECD, 2015, p. 121). Official studies also report that A4T is improving the trade and development prospects of developing countries by helping governments improve their trade capacity and exports. A joint 2019 OECD-WTO study noted that 53% of developing countries and 66% of LDCs had reported improvements in economic diversification since the launch of the Aid for Trade Initiative in 2006 (OECD & WTO, 2019, p. 5). It also found that every dollar (USD) invested in A4T can lead to an average increase of around USD 8 in additional export from all developing countries and nine dollars for all LDCs (OECD, 2013c, p. 26).

Some studies have also highlighted the benefits of providing trade-related support through multilateral initiatives. An empirical study of U.S. support for trade capacity building in LDCs, for instance, found stronger positive impacts on exports from countries where the United States Agency for International Development was working more fully in the multi-donor integrated framework process for LDCs (see Section 3.1) (Bearce et al., 2010).

A cross-cutting challenge for A4T noted in a number of studies is to improve coordination between the range of relevant donors and the many line ministries (e.g., transport, agriculture, energy, etc.) involved in recipient countries for the diverse array of sector-specific A4T initiatives. A 2015 report co-authored by senior staff leading work on A4T at the WTO and the OECD highlighted the importance of expanding partnerships, enhancing effectiveness, and retaining an interest in using aid to make trade work for the poor (Lammerson & Roberts, 2015). It emphasized the importance of “regional approaches for tackling trade-related

¹ For examples of early studies of A4T, see Basnett et al. (2012, 2014); Cadot et al. (2011); Cadot & Melo (2014); Clermond-Ferrand, Hynes, & Holden (2013); Gamberoni & Newfarmer (2014); Hageboeck (n.d.); Hallaert (2012); Overseas Development Institute, ECPDM, & GDI (2013); te Velde (2013); United States Agency for International Development (2010); Voionmaa & Brüntrup (2009); and WTO (2006, 2009).

² For related documents, see OECD (2006, 2009, 2011a, 2011b, 2014a, b); OECD & WTO (2009, 2011, 2013, 2014, 2015, 2017, 2019)



binding constraints with development finance from a combination of different sources, including providers of south-south co-operation and with engagement of the private sector” (Lammersen & Roberts, 2015, p. 2). Notably, this report proposed a stronger focus on promoting green growth and “supporting the achievement of the Sustainable Development Goals,” highlighting a number of environmental priorities (Lammersen & Roberts, 2015, p. 2, discussed further in Section 2.4).

2.4 Evolution of A4T Discussions and Recent Developments Relevant to Environmental Sustainability

Calls for a greater focus on environmental sustainability in the A4T agenda are gaining traction but are not new (UNEP, 2020). This section reviews a sample of reports, events, and proposals that illustrate how attention to environmental sustainability in A4T has evolved over the past two decades.

In 2001, the WTO Task Force on Aid for Trade recognized sustainable development as a guiding principle for A4T. It recommended that donors strengthen the application of environmental impact assessments as a way of safeguarding against the possible negative environmental impacts of A4T projects. Over the subsequent decade, most of the analysis of A4T focused on enhancing effectiveness and implementation. However, important calls for attention to environmental issues arose. Keane et al. (2009), for instance, made the point that, while donors are increasing resources for climate change mitigation and adaptation, there need to be standardized checks to ensure compatibility between these programs and A4T. Studies also noted that A4T focused on building the economic resilience and supply-side capacity of LDCs should also support efforts to adapt to and mitigate climate change (Ancharaz, 2009).

It was only at the 2012 Aid for Trade Global Review that attention focused on environmental issues. At that Global Review, a stakeholder roundtable discussed the financial and technical costs of a transition to a green economy and the potential for A4T to better support that transition (International Centre for Trade and Sustainable Development [ICTSD], 2012). Remarks from the OECD emphasized that greater participation by developing countries in international trade could assist the transition to green growth. Speakers emphasized the costs of adjustment and lack of access to environmental technologies, as well as the need to invest in the commercial viability of enterprises producing goods and services that support environmental goals. The event also underlined the need to involve developing countries as partners in the pursuit of greener A4T, enabling each country to define its own path toward sustainability in light of its level of economic development. Noting the wider context, speakers also highlighted the importance of avoiding the creation of new environment-related trade barriers, imposing new environmental conditionalities on aid, and addressing the technology gap between developed and developing countries (ICTSD, 2012). In 2013, an OECD study emphasized that A4T could support green growth (OECD, 2013b), such as by reducing trade and transport costs and promoting the more efficient use of resources.

In 2015, an OECD and WTO study noted the importance of incorporating green growth into the A4T agenda (OECD & WTO, 2015). Also in 2015, a study by the two senior A4T officials at the OECD and WTO proposed a stronger focus in A4T on “promoting connectivity,



boosting sustainable investment, promoting green growth, and supporting the achievement of the Sustainable Development Goals,” and highlighted a number of environmental priorities (Lammersen & Roberts, 2015, p. 2). Alongside, the 2015 Addis Ababa Action Agenda on financing for development committed governments to allocate an increased portion of A4T to LDCs (United Nations, 2015).

In 2016, A4T was featured in the UN SDGs (see Box 1). The preamble of the 2030 Agenda for Sustainable Development states that signatories are “determined to protect the planet from degradation, including through sustainable consumption and production [and] sustainably managing its natural resources.” This reinforces perspectives framed in the 1992 Rio Declaration on Environment and Development, which agreed that “to achieve sustainable development and a higher quality of life for people, States should reduce and eliminate unsustainable patterns of production and promote appropriate demographic policies.” Under SDG 8, which aims to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all,” governments included a commitment to “increase aid-for-trade support for developing countries, particularly least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries” (UN, 2016).

Box 1. A4T and the UN SDGs

Since 2015, the launch of the UN SDGs has spurred numerous efforts to identify how trade and trade policies can support implementation of the SDGs. The WTO Secretariat, for instance, set out a number of recommendations on how trade considerations can be mainstreamed in work to achieve the SDGs in ways that will accelerate progress, including through support for supply-side capacity and trade-related infrastructure in developing countries and LDCs (WTO, 2018a, 2018b). Alongside this, consistent efforts have been made to identify where and how A4T can support the implementation of the SDGs. For instance, a joint 2015 report of the WTO and OECD (OECD & WTO, 2015, pp. 21–25) observed that

the post-2015 development agenda, which aims at inclusive and sustainable development in social, economic and environmental dimensions, requires a significantly increased amount of financing. This will strengthen the prominence of international trade as a source of financing for development, particularly for the LDCs. However, the trade and development community should take care that the transformative nature of the post-2015 development agenda does not inadvertently result in a rise of unnecessary non-tariff measures that would increase trade costs and reduce the capacity of developing countries to use trade as an engine of economic growth and poverty reduction.

The new development paradigm under the post-2015 development agenda may require A4T to adopt a more integrated approach. Such an approach should ensure that A4T contributes to inclusive and sustainable development outcomes. That is, in addition to improving trade performance, the Aid for Trade Initiative should aim at positive social, economic and environmental impacts. For example, it should help developing countries to deal with the extra cost that may be associated with a greater burden of compliance with non-tariff measures



In 2016, the ITC pioneered work on green A4T with the publication of *Environmental Mainstreaming – A Guide for Project Managers* (ITC, 2016) and the development of a related training program. Recognizing the high share of A4T programming focused on agriculture and natural resource value chains, the guide sought to mainstream climate and environmental considerations as a design feature for A4T projects to support both environmental outcomes and private sector competitiveness. Together, the guide and training program aimed to help A4T project managers “assess environmental considerations in project planning and implementation in order to mitigate risks, enhance resilience and seize opportunities to expand trade in sustainable goods and services” (ITC, 2016). In its introduction to the guide, the ITC argued that “incorporating environmental concerns at every step of the project has helped ITC clients to access new markets meeting high environmental standards and regulations, or by exporting sustainably sourced biodiversity-based products and in turn creating incentives for conservation” (ITC, 2016). The ITC observed, for instance, that developing climate-resilient and sustainability strategies helps ensure that small and medium-sized enterprises in the agricultural sector remain viable businesses, even as weather and temperature patterns change.

At the 10-year mark of the Aid for Trade Initiative in 2017, however, few statements from donors, partner countries, or implementing agencies on lessons learned and paths forward on A4T focused any attention on environmental goals or considerations (see, for instance, Gonzalez, 2017). Nonetheless, the relevance of green growth, climate change, and the SDGs has subsequently generated growing interest.

In the 2017 Aid for Trade Global Review, entitled *Promoting Trade, Inclusiveness and Connectivity for Sustainable Development* (WTO, 2017), a series of events revealed that a growing number of developing countries recognize environmental sustainability as key to their long-term trade interests and economic resilience. One event focused on structural transformation, green economy, and connectivity in the African Union. Further, at the 2017 WTO Public Forum, events were held on the trade-related impacts of natural disasters, highlighting the immense challenges that climate change poses to trade in developing countries and to Small Island Developing States (SIDS) in particular, as well as the potential of A4T to support countries address these challenges and promote sustainable trade.

In 2018, a joint UNEP and WTO report entitled *Making Trade Work for the Environment, Prosperity and Resilience* noted the role that A4T could play in supporting trade that works for sustainability and prosperity (WTO & UNEP, 2018). At the 2019 Aid for Trade Global Review, entitled *Supporting Economic Diversification and Empowerment*, several sessions focused on how environmental goals and challenges could be better reflected in A4T (WTO, n.d.b, 2019d). Events were held on the role of A4T in supporting countries recovering from the impacts of natural disasters on trade (WTO, 2019b), for instance, and the EU and UNEP co-hosted an event on how Aid for Trade could be a vehicle for promoting climate resilience. Notably, the joint OECD/WTO report prepared for the 2019 Aid for Trade Global Review noted that

the United Nations Agenda 2030 for Sustainable Development calls for economic growth to be inclusive and sustainable. This requires paying greater attention to the social and environmental impact of economic diversification and growth. While this new



environment creates challenges, targeted policies promoting economic diversification and structural transformation can create ample opportunities for inclusive and sustainable development (OECD & WTO, 2019, pp. 25–26).

At the 2019 Global Review, governments also approved the A4T work program for the 2020–2021 biennium, themed “Empowering Connected, Sustainable Trade.” Underlining the nexus between green growth and digital connectivity, the work program sought to address sustainable trade by addressing how industrialization and economic growth objectives interact with objectives focused on sustainability and responsible production, with particular emphasis on promoting circularity, meaning more resource-efficient and less wasteful circular economies (WTO, 2019c).

Subsequently, links between A4T, environmental priorities, and sustainable development have intensified. In the context of COVID-19 response and recovery, several events in 2020 highlighted the importance of a green trade recovery from the pandemic, including through a focus on green A4T (see, for instance, WTO, 2020d; Charvériat & Deere Birkbeck, 2020; Lim, 2020; Rijsberman et al., 2020; OECD, 2020). UNEP (2020) argued that “by putting sustainability front and centre in trade and investment decision making, countries can ‘build back better,’ stimulating economic recovery while accelerating the green transition” (p. 1). Further, UNEP provided a number of recommendations for greening A4T, arguing that “while some Aid for Trade programs contain explicit environmental objectives, a coherent framework to mainstream environment into all Aid for Trade projects and programs is required to enhance resilience and better enable countries to seize sustainable trade opportunities” (UNEP, 2020, p. 1).

By early 2021, environmental sustainability featured as one of the key themes in the WTO’s Aid for Trade Stocktaking Event, which focused on assessing needs related to COVID-19 recovery and resilience (WTO, 2021b). Held in lieu of the Aid for Trade Global Review, which was postponed until 2022 due to COVID-19, the stocktaking event included a number of sessions on sustainable development and circular economy, and on inclusive, resilient, and sustainable trade policy post-COVID-19, as well as a high-level session entitled “New Directions for Aid for Trade: Promoting an Inclusive and Green Pandemic Recovery” (WTO, 2021b). To support further discussion in the context of the Global Review, the WTO also prepared an issues paper on sustainable trade, circular economy, and A4T in mid-2021 (WTO, 2021d).

Meanwhile, developing country governments face a rapidly evolving array of environmental provisions in trade agreements, environmental regulations, and trade-related environmental challenges, as well as changing consumer preferences, technological innovations, and market opportunities related to green trade. Many lack the resources needed to systematically discern and advocate their interests vis-à-vis evolving proposals, to formulate relevant counter-proposals or to adjust to evolving circumstances. A further development in the trade and environment policy landscape is the emergence and implementation of climate policies with clear trade policy implications, such as the European Green Deal (European Commission, n.d.) and the EU’s proposed Carbon Border Adjustment Mechanism (CBAM) (European Commission [EC], 2019, 2020, 2021; Lamy et al., 2020, p. 14; WTO, 2021a).



Alongside, environmental issues are increasingly prominent on the multilateral trade agenda overall. The WTO Director-General, Dr. Ngozi Okonjo-Iweala, has declared a commitment to ensuring that trade and trade policies make a stronger contribution to climate action and sustainable development (WTO, 2021g, 2022).

Together, these developments have spurred a growing interest in how A4T could better support the environmental dimensions of sustainability. The need for environment-related trade capacity building for developing countries regularly arises in deliberations at the WTO's Committee on Trade and Development, Committee on Trade and Environment, and Committee on Technical Barriers to Trade, among others. In 2022, recognizing the need for capacity building on fisheries subsidies reform, the WTO Director-General helped steward efforts to create a new Fisheries Funding Mechanism to support the implementation of the new fisheries subsidies agreement reached at MC12 (WTO, 2022c, 2022d) (see Section 3.2.).

Meanwhile, the importance of enhanced assistance to developing countries has been a recurring theme in the TESSD, launched in 2020 by 53 WTO members (WTO, 2020b, 2021a, 2021c). In December 2021, the importance of A4T was specifically underlined in the Ministerial Statement on Trade and Environmental Sustainability, now co-sponsored by 74 WTO members. In that statement, members underscored “the need for inclusive approaches that reflect the circumstances of the diversity of the WTO's membership and their specific development needs” and noted that efforts to harness trade for environmental and climate goals must take into account “the importance of a just transition and making progress towards achieving the Sustainable Development Goals (SDGs)” (WTO, 2021e). Further, the members agreed to “identify challenges and opportunities for sustainable trade, including for developing and least developed Members, and encourage enhanced collaboration among participating Members in strengthening capacity building and technical assistance on trade and environmental sustainability” (WTO, 2021e).

Alongside the TESSD, enhanced capacity building and technical assistance have also featured as a priority in the DPP, launched by 16 WTO members in 2020 (Deere Birkbeck, 2020; Deere Birkbeck & Sugathan, 2022; WTO, 2020c). In their subsequent Ministerial Statement issued in December 2021, 72 co-sponsoring WTO members have agreed to “intensify [their] work on areas of common interest with a view to identifying actions that participating Members could take collectively to support global efforts to reduce plastics pollution,” including by “considering plastic pollution and environmentally sustainable plastics trade in Aid for Trade with environmentally sustainable objectives” (WTO, 2021f). Further, the participating members specifically agreed to intensify work to address trade-related capacity building and technical assistance needs of developing members, in particular, least developed members and vulnerable SIDS, to support their efforts to:

- Move toward more circular plastics economies.
- Improve the environmentally sound management, recovery and recycling of plastics.
- Facilitate access to key technologies.
- Expand trade in environmentally sustainable and effective substitutes and alternatives.
- Encourage collaboration with the relevant stakeholders through, among other things, the exchange of knowledge and experience relating to the development of and access



to environmentally sustainable and effective (including cost and functionally effective) substitutes and alternatives to single-use plastics.

- Develop and strengthen local capacities to produce environmentally sustainable and effective substitutes and alternatives to single-use plastics.
- Design and implement trade policies to address plastic pollution. (WTO, 2021f)

In 2021, the WTO Secretariat developed an issues paper to provide a framework for understanding the interaction between sustainable trade, circular economy, and A4T, with the goal of supporting WTO members to frame issues and perspectives for examination in the 2020–2022 Work Programme and in the context of the monitoring and evaluation (M&E) exercise that will underpin the 2022 Aid for Trade Global Review (WTO, 2021).

The first phase of that M&E exercise conducted in 2021 highlighted a range of actions being taken by partner countries (including LDCs) and regional organizations on green value chains, renewable energy, and green growth strategies (WTO, 2021d). In a summary report, the WTO and OECD noted that many donors cited environmental considerations as a driver of changes in A4T programming. Eighty-seven of the 88 answers (99%) to the questionnaire for partner countries (i.e., A4T recipients) stated that A4T can contribute to the achievement of the 2030 Sustainable Development Agenda. Notably, a higher proportion of partner countries than donor countries stated that A4T could contribute to affordable and clean energy (50% of partners, 40% of donors) and to responsible consumption and production (56% of partners, 46% of donors).

In advance of the 2022 Aid for Trade Global Review, results from the latest M&E exercise were presented and provide important insights into how sustainability currently features in A4T strategies. This M&E exercise focused, for instance, on topics including green growth and digital connectivity, as well as how A4T can help catalyze the transition to a circular economy. In a summary of some key findings, the WTO Secretariat (WTO, 2022e) noted growing awareness of risks associated with climate change, spurring action to integrate broad environmental objectives into A4T but as yet with limited specificity. In addition, the Secretariat noted growing recognition of the opportunities and challenges in enabling a transition to sustainable development, with the circular economy as an emerging area of interest for both developing countries and financial partners. There was also growing interest in the intersection of climate finance and A4T financing, as well as the role that A4T could play in mobilizing private finance to take advantage of investment opportunities as part of net-zero transitions.

2.5 Wider Context for Greening A4T Discussions: COVID-19 and environmental crises

Any effort to promote sustainable trade must grapple with the extraordinary challenges unleashed by the COVID-19 pandemic. For many developing countries, the pandemic has provoked a spectacular drop in global trade flows along with a collapse in certain commodity prices and demand from export markets, which has reduced their ability to service debt, pay for critical imports and reach sustainable development targets (Escaith et al., 2020; Espitia et al., 2020; UN, 2020; UNCTAD 2020). The trade impacts of COVID-19 have been especially



devastating for countries that rely on food and energy imports (Coke Hamilton & Nkurunziza, 2020) and for the world's smallest countries affected by disruptions in international supply chains and tourism (Food and Agriculture Organization of the United Nations [FAO], 2020, p. 7). (UNCTAD, 2020). The prospects for successful trade cooperation on a range of trade issues are further frustrated by the rise of trade barriers deployed in response to the pandemic, such as blockages of trade in medical goods, and fraying international trust amid mounting vaccine nationalism, all with difficult-to-estimate longer-term reverberations, including for environmental cooperation.

Faced with a vast array of economic and social challenges arising from the ongoing COVID-19 pandemic, restoring trade in key sectors is a key economic policy priority for many developing countries, including through boosted trade finance, A4T, access to private and public development finance, and debt restructuring. In this context, policy developments, including on the environmental front, that could threaten the realization of their trade recovery goals are a sensitive issue for developing countries.

At the same time, as pressures on the environment escalate, a rising number of developing countries, concerned about their vulnerability to environmental impacts and the knock-on effects this has on their economies and trade, are calling for trade-related assistance and capacity building. Not only do climate change, land degradation, biodiversity loss, and resource depletion each have economic implications for the environment in developing countries and for the global commons, but they also impact trade and progress on the SDGs. Further, the poorest and smallest developing countries, which have contributed the least to the majority of global environmental challenges, are the most vulnerable when it comes to their impacts. As noted by UNEP, “developing countries face the challenge of ‘double exposure’ to economic and environmental risks, such as commodity price volatility, climate change and desertification” (UNEP, 2020).

Many developing countries appreciate the economic case for environmental action. They recognize the economic risks of inaction and understand that environmental sustainability can support resilience, long-term profitability, and access to competitive, high-return export markets. They also recognize that in many key global markets and supply chains, stronger environmental requirements are here to stay, and that access to finance—from insurance to foreign direct investment—is also increasingly being tied to environmental performance. As such, a growing number of developing countries and their businesses see themselves as allies in the quest for environmentally sustainable trade.

In developing countries, however, addressing the challenges of COVID-19 recovery, adapting to environmental risks, and shifting to more environmentally sustainable production are hugely expensive undertakings for governments and businesses alike. Similarly, the financial bill for implementing international environmental commitments, and indeed the SDGs, is far beyond what most developing countries can afford, and their implementation involves significant political trade-offs domestically (Anderson, 2014). On the climate front, the resource gap that developing countries confront in the face of climate change adaptation and mitigation costs is widely recognized as huge: they face a trade finance gap, a technology gap, and a climate finance gap. Developed countries have thus far failed, for instance, to come close to meeting their Paris commitments to provide USD 100 billion annually in climate financing to developing countries.



3.0 A4T: Institutional approach and landscape of actors

This section introduces the institutional approach to A4T and the landscape of multilateral initiatives and institutions active in the A4T space. It also highlights a sample of initiatives specifically relevant to greening A4T. Section 4 then takes a closer look at initiatives related to environmental sustainability, including the ways in which environmental concerns are taken up in A4T programs, the key activities that receive support and resources, and the major donors involved.

3.1 Institutional Features and Approach

The Aid for Trade Initiative involves a diverse set of actors. Although institutionally housed at the WTO, the Aid for Trade Initiative is a collaborative effort. It provides a framework for strategic planning, priority-setting, and reporting on contributions that are provided bilaterally by national governments, regional authorities, development organizations, or multilateral organizations. While the Aid for Trade Initiative does not create a single fund through which A4T resources are gathered and disbursed, governments have created a dedicated facility, the Enhanced Integrated Framework (EIF), which provides a framework for A4T for LDCs and has its own trust fund to finance activities for LDCs (see Section 3.2).

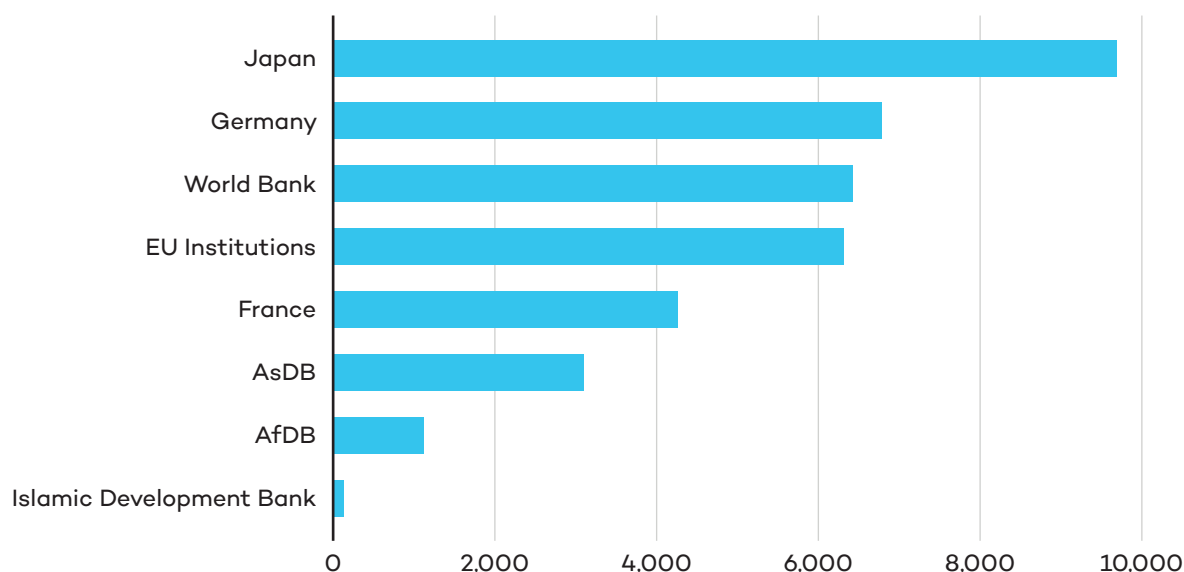
The OECD and the WTO have developed a framework for monitoring A4T. A biennial joint OECD-WTO publication provides a comprehensive analysis of trends and developments in A4T (WTO, n.d.a, n.d.c). The joint OECD-WTO reporting framework relies on voluntary self-reported submissions of information from developing countries, regional economic communities, donors, and South-South partners.

Table 1 and Figure 4 provide a visual overview of the main A4T donors over time and in 2019. Notably, they highlight that in addition to bilateral government contributions, the EU and the World Bank's International Development Association are key contributors, along with a number of regional institutions, such as the African Development Bank (AfDB), the Asian Development Bank (ADB), the Islamic Development Bank (IDB), the Arab Fund (AFESD), and the OPEC Fund for International Development. Other regional development banks that provide A4T support include the European Bank for Reconstruction and Development and the Inter-American Development Bank.

Since 2006, the 10 largest A4T donors collectively accounted for over 80% of total disbursements. In order, the top 10 cumulative donors have been Japan, the EU, the World Bank, the United States, Germany, France, the United Kingdom, the AfDB, the ADB, and the Netherlands. Notably, despite China's growing engagement in the provision of A4T, the OECD-WTO reporting under the Aid for Trade Initiative does not include activities or funding from China, as China does not contribute information to the voluntary A4T reporting framework.



Figure 4. Top 10 providers of A4T for 2019 (commitments in USD millions)



Source: OECD, 2021b.

Multilateral initiatives and co-financed multi-country programs are important in the delivery of A4T, with many donors choosing to work together to avoid duplication and bring together several components toward a larger goal. Indeed, an estimated one third of A4T is delivered through multilateral institutions, such as the World Bank (OECD & WTO, 2019a). To enhance harmonization, coordination, and efficiency, several donors also channel A4T contributions through multilateral programs (e.g., the EIF) or multi-donor trust funds (e.g., the WTO Global Trust Fund). Alongside its central role as a guardian of the Aid for Trade Initiative, the WTO also implements a small share of A4T through mechanisms such as the WTO Global Trust Fund, the Joint Integrated Technical Assistance Programme (which ceased operations in 2008),³ the EIF, and the Standards and Trade Development Facility as well as through its own member-approved technical assistance activities and through the International Trade Centre (ITC) (see Section 3.1). A number of United Nations agencies also conduct work under the A4T umbrella, such as UNCTAD, the UNDP, the United Nations Economic Commission for Africa (UNECA), the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the United Nations Industrial Development Organization (UNIDO).

³ The Joint Integrated Technical Assistance Programme was the first multi-agency, multi-donor, multi-country trade-related technical assistance program and was entirely dedicated to building the capacity of African countries in the multilateral trading system. See Ben Fadhl (2014).



Table 1. Top 20 providers of A4T in 2017, disbursements (USD millions, 2017 constant)

Disbursements	USD million (2017 constant)					
	2006– 2008 average	2009– 2011 average	2012– 2014 average	2015	2016	2017
Japan	4 040.3	4 761.0	5 906.4	6 407.7	6 317.1	8 264.1
EU Institutions	2 215.3	3 859.8	6 719.9	6 491.9	7 919.1	7 151.6
International Development Association	3 324.1	3 854.7	4 808.6	5 682.2	4 673.4	5 888.0
Germany	1 673.2	2 558.5	3 182.4	5 193.9	4 613.7	4 522.4
France	839.0	1 092.9	1 746.1	1 504.2	1 928.8	2 470.8
United States	4 403.2	4 332.0	3 550.3	2 922.1	2 748.0	2 406.5
United Kingdom	827.6	1 177.5	1 293.4	1 960.6	1 815.7	1 918.9
AfDB	379.7	1 203.7	1 001.1	1 232.0	995.6	1 425.4
AsDB	..	486.7	1 252.0	1 573.2	1 498.7	1 379.9
IDB	..	354.9	563.5	521.3	373.9	737.8
United Arab Emirates	..	88.6	703.9	897.6	429.3	584.3
Korea	200.7	373.3	518.5	613.1	590.9	556.5
Netherlands	476.9	474.8	618.5	540.5	616.0	542.3
Arab Fund (AFESD)	233.6	696.7	670.6	493.0	441.2	528.6
Canada	272.8	566.2	441.3	347.3	393.8	463.5
Sweden	328.2	346.2	396.8	337.3	334.8	441.5
Australia	253.8	391.1	385.6	412.2	394.3	427.8
Norway	378.6	383.7	484.0	482.3	404.3	426.9
Kuwait	..	251.2	269.6	408.7	692.9	373.2
OPEC Fund for International Development	..	168.2	224.1	297.9	368.8	355.3
Sub-total	19 847.0	27 421.6	34 736.5	38 318.9	37 550.3	40 865.6
TOTAL AID FOR TRADE	21 753.0	30 284.5	36 948.5	40 864.2	39 475.7	43 066.9
Top 20 share in total AT	91.2%	90.5%	94.0%	93.8%	95.1%	94.9%

Source: WTO and OECD (2019, p. 464).



3.2 Sample of Multilateral Initiatives and Institutions in the A4T Space

This section highlights a sample of key multilateral initiatives and institutions active in the A4T space. A sample of initiatives specifically relevant to greening A4T follows in Section 3.3.

3.2.1 The EIF

The EIF is a multi-agency and multi-donor program for the delivery of trade-related technical assistance and institutional capacity building for LDCs. It works to bridge the gap between supply and demand for A4T. Activities supported through the EIF range from efforts to build productive capacities and integrate trade into national development plans to projects to increase the technical capacity of ministries responsible for trade and trade policy-making (EIF, 2015, 2019), including by increasing the engagement of line ministries, the private sector, and other non-state actors in discussion of trade-related policies and A4T programs (EIF, 2019a).

The EIF has eight core development and trade partner organizations: the International Monetary Fund (IMF), ITC, UNCTAD, the UNIDO, the United Nations Development Programme (UNDP), the United Nations World Tourism Organization (UNWTO), the World Bank Group, and the WTO (United Nations, n.d.).

The EIF's work is grounded in Diagnostics Trade Integration Studies (DTIS), which are prepared with LDCs to identify their trade priorities and sectors with export potential (Brenton & Gillson, 2014). As of 2019, the EIF had disbursed over USD 240 million through its activities (EIF, 2019a, p. 60). In 2019, the EIF was funded by the European Commission and a number of individual European countries (e.g., United Kingdom, Norway, Sweden, Denmark, Finland, Germany, France, Switzerland, and Luxembourg), as well as Australia, Japan, Korea, and Saudi Arabia (EIF, 2019a, p. 58).

Two of the key indicators that the EIF traces to assess its work are, first, the integration of trade into national policies, and second, improvements in the range of international markets accessed. A growing number of EIF projects have environmental implications, and some have explicit environmental goals or positive impacts (e.g., projects that aim to support exports in sustainably produced agricultural commodities). The EIF has, for instance, emphasized the importance of environmental conservation and management to successful trade strategies in the tourism and agricultural sectors, including resilience to natural disasters and climate change.

Since 2015, the EIF's focus on environmental issues linked to trade has steadily increased. In 2015, the EIF Secretariat identified the environment as one of the criteria that is used to assess the quality of a national trade strategy, stating that mainstreaming "gender and environmental consideration is an ongoing priority of the EIF" (EIF, 2015, pp. 30, 52). By 2017, the head of the EIF noted:

Environment is one of the three major cross-cutting issues that the EIF is focusing on during the second phase of the programme. With respect to the environment, we aim



to do this in three main ways, firstly through the design of EIF projects, secondly in the analytical work undertaken through the Diagnostic Trade Integration Studies and thirdly by leveraging finance related to the environment and climate change. (EIF, 2017)

In its 2019 *Annual Report*, the EIF reported that environmental sustainability was one of its six cross-cutting priorities, noting the special vulnerability of LDCs to the effects of climate change and natural disasters (EIF, 2019a, pp. 36–38). Further, in the EIF’s 2019–2022 strategic plan, environmental sustainability is emphasized as a core priority going forward (see Box 2) (EIF, 2019b). The environment is also specified as an area for inclusion in the DTIS, which are used to guide A4T investments in LDCs. Furthermore, the EIF’s monitoring framework now includes an indicator on the “number of awareness-raising activities conducted on gender and the environment,” according to which 44 specific activities have been conducted (EIF, 2021a).

The EIF has also supported a number of events on environment and trade challenges and priorities for LDCs, including on climate and trade (EIF, 2021b). In 2021, for instance, the EIF embarked on a partnership with the Overseas Development Institute (ODI) and the International Institute for Environment and Development on a project aimed at “equipping graduated or in-transition LDCs with the evidence, networks and platforms to effectively align and secure their climate and trade strategies in international negotiations” (ODI 2021). Among the project’s activities were a publication, entitled *Aligning Climate Finance and Aid for Trade: A new agenda for LDC negotiators* (Keane et al., 2021), and public events on securing climate-compatible trade for the most vulnerable countries.

Box 2. Trade and environmental sustainability in the EIF

In its 2019–2022 strategic plan, the EIF Secretariat noted that environmental and social sustainability are embedded in every EIF project (EIF, 2019b). In its objective 5 for the 2019–2022 period, on improved technology use in production and services in selected value chains, the EIF noted that its work would strive to promote competitiveness, boost productive capacity, and move up the value chain ladder in an environmentally sustainable way (EIF, 2019b, p. 10).

Regarding its approach to implementation, delivery, and management, the EIF noted that it would “ensure inclusive programming by including MSMEs (particularly women and youth), poverty reduction, gender and environmental impact considerations into the design and implementation of all EIF-funded projects and trade-related programmes and policies” (EIF, 2019b, p. 18).

3.2.2 The ITC

The ITC is a joint project of the WTO and UNCTAD focused on promoting the participation of developing country businesses in international trade. It is the only development agency that is fully dedicated to supporting micro, small and medium-sized enterprises (MSMEs) in the international economy. The ITC works to enable MSMEs in developing and transition economies “to become more competitive and connect to international markets for trade and



investment, with a focus on raising incomes and creating job opportunities, especially for women, young people, and poor communities” (ITC, n.d.b). Its three core goals are to:

1. Strengthen the integration of the business sector of developing countries and economies in transition into the global economy.
2. Improve the performance of trade and investment support institutions for the benefit of MSMEs.
3. Improve the international competitiveness of MSMEs (ITC, n.d.b).

Environmental Sustainability is a core cross-cutting focus of the ITC. It has a range of activities to promote sustainable trade as part of its Trade for Sustainable Development (T4SD) Program and its cross-cutting organization-wide Green2Compete strategy (see Section 4.2).

3.2.3 The Standard and Trade Development Facility

The Standard and Trade Development Facility (STDF), hosted by the WTO, aims to support developing countries in meeting standards, with a special focus on sanitary and phytosanitary standards, a number of which can have environment-related dimensions. The STDF was founded by five organizations, including the WTO, the FAO, the World Organization for Animal Health (OIE), the World Bank Group, and the World Health Organization (WHO) (WTO, 2020a). In 2020, the STDF launched a 2020–2024 strategy called Safe and Inclusive Trade Horizons for Developing Countries, which aims to support small-scale farmers and MSMEs in developing countries to help them benefit from trade in a sustainable way.

3.2.4 Trade Facilitation Agreement Facility (TFAF)

In 2013, WTO members established a new precedent for providing dedicated trade-related support for developing countries. The WTO’s 2013 Trade Facilitation Agreement was accompanied by a special facility to ensure that developing countries and LDCs obtain the assistance needed to benefit fully from the agreement (WTO, n.d.d). This model presents a useful precedent for consideration on the environment side, where efforts to achieve stronger cooperation on the environment and sustainable trade will require a range of dedicated support for developing countries.

3.2.5 WTO Fisheries Funding Mechanism

Article 7 of the WTO Agreement on Fisheries Subsidies calls for targeted technical assistance and capacity-building assistance to developing country members, including LDC members, for the purpose of implementing its disciplines. It also calls for the establishment of a voluntary WTO funding mechanism in cooperation with relevant international organizations such as the UN Food and Agriculture Organization (FAO) and the International Fund for Agricultural Development (IFAD) (WTO, 2022e). To accompany the agreement, the WTO Director-General announced at MC12 that she had worked with WTO members and international organizations to create a [WTO trust fund, the WTO Fisheries Funding Mechanism](#) ("the Fund"), for technical assistance and capacity building in support of the implementation of new WTO fisheries subsidies disciplines (WTO, 2022f).



3.3 Other Trade and Sustainable Development Initiatives Relevant to Developing Countries and Greening Aid for Trade

A range of other international organizations, governments, and stakeholder organizations provide trade-related support to developing countries that is relevant to environment and sustainable development outcomes. Notably, not all of the activities of these actors are reported under the A4T initiative.

In terms of international organizations, the IMF, the OECD, the Commonwealth Secretariat, and the World Customs Organization each provide advice, conduct research, and support technical assistance projects relevant to the intersection of trade, environment and sustainable development (WTO, n.d.a). International efforts related to debt relief (such as under the framework of the World Bank and the IMF) are also part of the wider development financing framework relevant to A4T, as debt relief can release export earnings for more productive economic investment than debt financing. Similarly, UNEP has provided an array of assistance in terms of capacity building and analysis of regulatory and policy developments and opportunities relevant to trade and the environment. As well, the technical assistance provided by some but not all of the secretariats of MEAs regarding the design and implementation of measures related to trade-related provisions in those conventions are reported under the Aid for Trade Initiative.

South–South cooperation and regional integration initiatives are also part of the wider A4T landscape. The rise of emerging powers such as China and Brazil as new actors in support of trade and development is not necessarily captured in A4T reporting. In the development arena, South–South cooperation has increased in the last decades (examples include Brazilian support for agricultural development initiatives in neighbouring countries and Chinese engagement in infrastructure in Africa).

For over six decades, China has been providing trade-related development assistance to a range of countries as part of its wider and growing foreign aid programs. China's development assistance is closely integrated with trade and investment and includes a range of technical assistance, concessional loans, and debt relief, as well as finance and investment schemes (OECD, 2012, 2018; People's Republic of China, 2010, 2011). For a number of LDCs, China is the major source of external aid and investment, and it plays a leading role in financing development and infrastructure in Africa. China also launched the Asian Infrastructure Investment Bank, which aims to invest in infrastructure and other productive sectors within Asia (Asian Infrastructure Investment Bank, n.d.).

Regional trade and integration initiatives that aim to boost trade and investment, especially in trade-related infrastructure, warrant consideration as part of the wider A4T landscape, and have important environmental implications. China's Belt and Road Initiative (BRI), for instance, aims to expand trade among some 80 countries and is expected to generate overall investments in infrastructure development worth between USD 1 trillion and USD 8.5 trillion (OECD, 2018, p. 3). The World Bank has estimated that the proposed BRI infrastructure could reduce transportation costs and increase trade by between 1.7% and 6.2% globally (World Bank Group, n.d.). Notably, numerous efforts are underway to move toward a green



BRI, including by working with industry to define green principles to guide investment and to modernize infrastructure in line with environmental priorities (Zhou et al., 2018). In 2019, at the Second Belt and Road Forum, President Xi Jinping declared: “We should pursue the new vision of green development and a way of life and work that is green, low-carbon, circular and sustainable” (Hale et al., 2020, p. 99). At the same time, however, a suite of significant environmental concerns and risks are associated with BRI infrastructure expansion (Coenen et al., 2021; Teo et al., 2019, p. 72).

Further, a range of non-government actors is involved in aspects of trade-related capacity building, including non-governmental organizations (NGOs), private consulting firms, and private companies. Their work generally focuses on three areas: trade policy development and negotiations (consulting firms and NGOs), investment in production in developing countries as part of global and regional supply chains (private sector), and co-investment in infrastructure projects or other development projects (private sector).



4.0 A4T Priorities, Activities, and Funding Related to Environmental Sustainability

This section reviews existing A4T initiatives related to environmental sustainability, including the ways in which environmental concerns are taken up in A4T programs, the key activities that receive support and resources, and the major donors involved.

4.1 Environmental Sustainability in A4T

At present, the Aid for Trade Initiative does not have a set of overarching environmental goals, priorities, or indicators that set the framework for donor support. However, most donors—whether working bilaterally or multilaterally—incorporate some environmental impact assessment as a part of their projects. The World Bank’s International Development Association, for instance, has a set of environmental criteria for its projects. While individual donors have conducted assessments of the environmental performance of their development assistance, either in-house or with the help of external experts, there has not yet been any overarching environmental assessment of A4T or overarching recommendations for improvements to its environmental impact.

While a number of A4T projects relate explicitly to environmental goals, it is difficult to get an accurate picture of the share of A4T that is environment-related. An overarching challenge, as alluded to above, is that not all A4T projects and activities are reported to the OECD for inclusion in the database. In addition, donor approaches to describing and categorizing the purpose and scope of their activities vary widely; this can lead to an over- or under-reporting of the degree to which projects have an environmental purpose.

Since 1998, the OECD’s Development Assistance Committee (DAC), which brings together most (but not all) of the world’s major aid donors, has monitored aid targeting the objectives of the Rio Conventions on climate change and biodiversity through its Creditor Reporting System (CRS) using the “Rio markers.” This means that every aid activity reported in the CRS can be screened to determine whether it targets the Rio Conventions as a “principal objective or a significant objective” or does not target the conventions as an objective (OECD, 2021d). For those that fall into the second category, there is no indication of whether they might address some other environmental objectives not covered in the two Rio Conventions and no information about their environmental impacts, either positive or negative.

Typical examples of A4T projects categorized as targeting the Rio Conventions as a principal or significant objective include:

- Activities promoting the sustainable use of energy resources, meaning power generated through renewable sources of energy, such as wind, solar, and biogas.
- Sustainable infrastructure projects designed with integrated and comprehensive environmental protection and management components.



- Projects promoting low-carbon transportation systems (i.e., mass urban transit and rail).
- Sustainable agriculture projects. (Lammersen & Hynes, 2016)

Drawing on the CRS and Rio marker methodology, the share of A4T investment described by donors as targeting the Rio Conventions as a principle or significant objective increased from 20% in 2007 to 40% in 2014 (OECD, 2021d). However, the Rio markers do not provide an accurate picture of the value of environment-related A4T (Cattaneo, 2021; IISD, 2021b). This is partly due to the different interpretations of donors as to what counts as environment-related A4T. A closer look at the actual projects and activities tagged as being relevant to the Rio Conventions reveals that many in fact have a very limited environmental purpose or component. Indeed, a preliminary review by OECD staff estimates that fewer than 2% of the A4T projects have a clear environmental purpose (Cattaneo, 2021). This important discrepancy underlines the need for a clearer methodology and definition of environment-related A4T and improved reporting in order to have an accurate picture of the state of play.

At present, the Aid for Trade Initiative does not have an overall framework or policy on mainstreaming environmental goals (UNEP, 2020, p. 2). A 2021 study by independent experts concluded that empirical analysis of the environmental impacts of A4T “is weak and climate change is not integrated within conceptual frameworks” (Keane et al., 2021). While donors may indeed use environmental policies, criteria, or impact assessments to guide their support or lending, these are at the discretion of the individual donors involved. Further, the environmental policies of different governments and international organizations vary widely with respect to their development assistance.

At the OECD’s Development Assistance Committee, governments have adopted a number of guidelines for development assistance that are relevant to A4T. The OECD’s Development Cooperation Division, for instance, aims to support “coordinated, innovative international action to accelerate progress toward the SDGs in developing countries and improve their financing” (OECD, n.d.), including by helping the DAC set international principles and standards for development cooperation and monitor how donors deliver on their commitments. Much of the existing guidance is, however, over a decade old and warrants updating, especially to better integrate environmental considerations.⁴

Building on work to promote the alignment of development cooperation and climate action (OECD, 2019b), the OECD published a new tool in 2021 called *Strengthening Climate Resilience: Guidance for Governments and Development Co-operation*. According to the OECD, this guidance document calls on governments to consider three aspirations “when planning and implementing action to build climate resilience (country ownership, inclusiveness, and environmental and social sustainability)” (OECD, 2021d). It also outlines “four mechanisms (governance; sector-level approaches; finance; and monitoring, evaluation, and learning) and three enablers (data and information, capacity, and technologies) that support climate

⁴ Existing guidelines include, for instance, *Natural Resources and Pro-Poor Growth* (2009), *Applying Strategic Environmental Assessment* (2006), *Harmonizing Donor Practices for Effective Aid Delivery* (2006), *Integrating the Rio Conventions into Development Co-operation* (2002), *Strategies for Sustainable Development* (2001), and *Strengthening Trade Capacity for Development* (2001).



resilience, proposing concrete actions for donors in the form of checklists” (OECD, 2021d). In 2021, the OECD DAC took a concrete step forward with the launch of the *Declaration on a New Approach to Align Development Co-Operation With the Goals of the Paris Agreement on Climate Change* (OECD, 2021c). As A4T is part of the wider landscape of development cooperation, both the declaration and the action plan for its implementation, will be directly relevant to the efforts of developing countries, donor countries, implementing agencies, and stakeholders with regard to greening A4T. Meanwhile, in terms of greening A4T, only one tool has been developed that specifically works to address environmental mainstreaming in A4T: *Environmental Mainstreaming – A Guide for Project Managers* (ITC, 2016; EIF, 2017) (see Section 4.2).

4.2 Sample of Existing Trade and Sustainable Development Initiatives Relevant to Greening A4T

A range of organizations engaged in the provision of A4T is working to reflect environmental sustainability priorities in their work, especially in terms of regulatory and policy support. Following is a sample of these.

4.2.1 UNCTAD

Environmental sustainability is a key aspect of the work of UNCTAD’s Trade, Environment, Climate Change and Sustainable Development Branch of the Division of International Trade and Commodities. Describing its activities, UNCTAD states that its work aims to integrate sustainable development and poverty reduction objectives into development strategies, strengthening the capacity of developing countries to formulate and implement mutually supportive trade as well as supporting the effective participation of developing countries in international deliberations on trade and the environment. This work is done through research and analysis, technical assistance, and partnerships with an array of stakeholders (see Table 2).

In October 2021, climate and environmental crises were identified as one of three core global challenges at the 15th UNCTAD. The Bridgetown Covenant approved by governments at the conference emphasized that “transforming to a climate resilient and a more sustainable and more resilient economy requires decoupling economic growth from environmental degradation and greenhouse gas emissions and diversifying towards more sustainable energy” (UNCTAD, 2021b). The Covenant noted the importance of

capacity-building and investment to support developing countries in building enabling infrastructure [and] human capital skills and adopting environment-friendly technologies that enhance efficiency of current sources of energy and promote a sustainable energy transition, as well as the medium-term rationalization and phasing-out of inefficient fossil fuel subsidies that encourage wasteful consumption, while providing targeted support for the poorest. (UNCTAD, 2021b)

The Covenant also highlighted the importance of “international cooperation and instruments to promote and mainstream biodiversity in policies, strategies, and practices of global value chains ... to ensur[e] the necessary conservation and sustainable use of biodiversity and



ecosystems.” In addition, governments noted that “south-south and triangular cooperation are important elements of international cooperation for development, as a complement, not a substitute, to north-south cooperation” (UNCTAD, 2021b).

Looking ahead, several of the Bridgetown Covenant’s recommendations on the role of UNCTAD are relevant to the green A4T agenda, including the call for UNCTAD to:

- Support developing countries in identifying relevant trade and investment policies to contribute to the attainment of the climate and environmental goals of the 2030 Agenda, with due cooperation with relevant international organizations.
- Promote, from a trade and development perspective, extensive use of renewable and low-emission energy sources and technologies that generate a more diverse and sustainable energy mix and facilitate cooperation on technology and identification of finance in this field, in collaboration with other agencies, where appropriate.
- Continue to support, through policy dialogue and cooperation mechanisms, international and regional transport networks, ensuring their sustainability and resilience, and promoting the conservation and sustainable use of oceans and their resources. (UNCTAD, 2021b)

Table 2. Examples of UNCTAD’s thematic work on trade and sustainable development

UNCTAD thematic projects and initiatives	About
BioTrade Initiative	The BioTrade Initiative promotes sustainable trade in biodiversity-based products in support of the objectives of the Convention on Biological Diversity.
Circular Economy	In partnership with other organizations, UNCTAD works on the circular economy by encouraging discussions and activities seeking to bring value out of waste streams as well as around collaborative economy sectors and by examining business models to encourage consumers’ awareness and behavioural shifts.
Climate Change and Trade	UNCTAD’s activities related to SDG 13 seek to strengthen the capacity of developing countries to address response measures for sustainable development and to explore the role of trade in implementing Nationally Determined Contributions (NDCs).
National Green Export Reviews	Through this initiative, UNCTAD responds to the growing need of developing countries and countries with transition economies to assess the national potential to advance the development of green sectors in order to generate new employment and export opportunities while promoting sustainable development.
Ocean Economy and Fisheries	Through this initiative, UNCTAD supports developing countries in identifying the opportunities and challenges that the oceans economy can bring.



UNCTAD thematic projects and initiatives	About
Organic Agriculture	UNCTAD supports interested countries through projects and research aimed at developing policy options to promote organic agriculture and facilitate access to markets for organic products.
Sustainable Agriculture and Food Security	This project aims to strengthen national capacities to design and implement complementary trade and agricultural policies.
Sustainable Manufacturing and Environmental Pollution (SMEP)	This project, supported by the UK government, seeks to reduce the environmental and social impacts of manufacturing in developing countries by funding activities and developing technical solutions that will contribute to reducing the level of pollution and environmental degradation generated by industrial processes in sub-Saharan Africa and South Asia.

Source: Excerpted from UNCTAD. (2021a), “Trade and Environment.” <https://unctad.org/topic/trade-and-environment>

4.2.2 UNEP Environment and Trade Hub

UNEP has long worked to promote mutually supportive trade and environmental policies that foster environmental sustainability. UNEP’s Economy Division leads UNEP’s work on the environment and trade through activities conducted under the framework of a WTO-UNEP partnership, the Green Growth Knowledge Platform (GGKP) and the Partnership for Action on Green Economy. Its Environment and Trade Hub, launched in 2015, has worked to enhance countries’ capacities to build climate resilience and realize trade opportunities arising from the green economy transition, support trade in environmentally sound technologies, and foster public—private dialogues to raise awareness of the potential of trade as a vehicle for sustainable development (UNEP, 2020).

Examples of UNEP’s recent work on environmental sustainability include (UNEP, n.d.a):

- **Shaping governance at the trade, investment and environment nexus:** UNEP has assisted countries in building capacity to pursue sustainable development through trade and investment agreements and global economic and environmental governance mechanisms (UNEP, n.d.b).
- **Green markets and global value chains:** In partnership with other organizations, such as the ITC, UNEP has worked in support of sustainability standards and market access for sustainably produced products in order to green global production and consumption (UNEP, n.d.c).
- **Reducing the footprint of trade and greening the brown:** By assessing adverse environmental, social, and health impacts related to trade practices, UNEP has helped countries develop solutions to make trade and investment more sustainable (UNEP, n.d.d).



- **Trade in environmentally sound technologies:** UNEP has provided advice and capacity building for countries in the production and trade of environmentally sound technologies that can protect the environment, are less polluting, use resources in a more sustainable manner, and are more recyclable than conventional technologies (UNEP, n.d.e).

Over the past several years, UNEP has highlighted the potential for harnessing A4T as a vehicle for:

- Enhancing countries' capacities to build climate resilience and realize trade opportunities arising from the green economy transition.
- Assisting countries in strengthening the sustainability of trade agreements.
- Supporting trade in environmentally sound technologies.
- Fostering public–private dialogues and partnerships to raise awareness and advance the global agenda on trade, resilience, and the environment.

In 2018, as noted above, a joint report by the WTO and UNEP highlighted the importance of greening A4T (WTO & UNEP, 2018). The following year, a collaborative event hosted by UNEP and the EU at the 2019 Aid for Trade Global Review focused on A4T as a vehicle for climate resilience. In 2020, UNEP also called for using A4T as a vehicle to support a green COVID-19 recovery and build climate resilience, publishing an issue brief on this topic (UNEP, 2020), and offered guidance on how A4T could support positive outcomes for biodiversity in its work (UNEP, 2021).

The secretariats of a range of MEAs—such as the Convention on International Trade in Endangered Species and the Basel Convention on the transboundary movement of hazardous wastes, which include trade-related environmental measures—also provide a range of assistance related to the implementation of these measures.

4.2.3 International Trade Centre: Trade for Sustainable Development and Green2Compete strategies

The ITC has a long-standing focus on inclusive and green trade (ITC, n.d.a; ITC, 2013; ITC, 2021, pp. 20–21). In its Trade for Sustainable Development (T4SD) Program, ITC supports a number of national hubs, which aim to help MSMEs to increase their competitiveness and participation in international value chains by developing viable, sustainable business models. A key focus of the T4SD hubs is to provide “technical assistance to MSMEs on climate change adaptation, resource efficiency, circular economy, market access, voluntary sustainability standards and certification” (ITC, 2020b). The ITC has also produced a range of tools and resources for MSMEs to help them navigate and implement international sustainability standards.

The ITC's work on sustainable trade also includes a Green2Compete strategy focused on promoting green production and trade (ITC 2020a). This strategy has a two-fold rationale: first, vulnerable communities in developing countries are disproportionately affected by environmental risks; second, green production and trade can help MSMEs be more



competitive while offering opportunities for business, trade, and overall socio-economic development. For 2020–2022, the ITC identified four green strategic priorities (see Table 3) and seven interventions (see Table 4).

Table 3. ITC’s four green strategic priorities (2020–2022)

Ecosystems: Enable MSMEs to produce and trade green	MSMEs: Go green to compete	Market partners: Demand and support green production and trade	International partners: Promote green production and trade
<ul style="list-style-type: none"> • Green data, trade, and market intelligence • Green sector and export strategies • Green policy and regulatory frameworks • Green public procurement • Green BSO offerings and support • Provision of green finance and services 	<ul style="list-style-type: none"> • Climate resilience • Resource efficiency and circularity in production systems • Green entrepreneurship • Nature and biodiversity-based solutions • Access to green finance • Access to green markets 	<ul style="list-style-type: none"> • Green, transparent and accessible value chains • Green sourcing and alignment among major producers • Promoting increased green production and consumption 	<ul style="list-style-type: none"> • Green insights for policy-making • Insights for the greening of international trade-related agreements, policies, and treaties

Source: ITC (2020a)

Each of the UN’s Regional Economic Commissions has work underway on environmental sustainability and trade. Capacity Building in Trade and Environment is an inter-regional project implemented by four UN regional commissions—the United Nations Economic Commission for Africa (ECA), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the UNESCAP, and the United Nations Economic and Social Commission for West Asia (ESCWA)—in collaboration with UNCTAD, UNEP, the WTO, and the UN Economic Commission for Europe (ECE) (UNESCAP, 2018). The project aims to strengthen the capacity of developing countries to formulate and negotiate effective trade and environmental policies (UNESCAP, 2018). Individually, the UN Regional Economic Commissions are engaged in a range of policy and capacity-building efforts related to sustainable trade. UNESCAP, for instance, is conducting activities on climate and trade, while UNECE focuses on the role of trade policies in supporting the transition to a circular economy, as well as how digital innovations can be used to support the traceability and transparency vital to sustainable supply chains.



Table 4. ITC’s priority intervention areas for 2020–2022

Ecosystems: Enable MSMEs to produce and trade green	MSMEs: Go green to compete	Market partners: Demand and support green production and trade	International partners: Promote green production and trade
<p>A. Green data, trade, and market intelligence Collecting and analyzing data and information on MSME challenges, needs, and opportunities in relation to greening business models and climate change.</p> <p>B. Green business support organisations’ offerings and support Mainstreaming sustainability and green perspectives into business support organisations’ offerings and performance measurement.</p> <p>C. Green export strategies and supporting policies Ensuring that policies and export strategies align with green considerations.</p>	<p>D. MSME competitiveness through climate resilience, resource efficiency, circularity, access, and green finance Supporting the climate resilience and sustainability of farmers, coops, and MSME processors. Realizing cost savings and opportunities such as the usage of sustainable packaging. Supporting investment readiness and financial products or services.</p> <p>E. Green entrepreneurship Supporting entrepreneurs that are offering solutions to green challenges and producing products and services in a sustainable manner.</p>	<p>F. Green, transparent, and accessible value chains Providing market partners with information, learning opportunities, and tools to make their value chains more accessible and transparent. Building compliance with green standards</p>	<p>G. Green insights for policy-making Supporting the greening of international policies and regulatory frameworks related to production, trade, and circularity through thought leadership.</p>

Source: ITC (2020a).

4.2.4 UN Regional Economic Commissions

Each of the UN’s Regional Economic Commissions has work underway on environmental sustainability and trade. Capacity Building in Trade and Environment is an inter-regional project implemented by four UN regional commissions—the United Nations Economic Commission for Africa (ECA), the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the UNESCAP, and the United Nations Economic



and Social Commission for West Asia (ESCWA)—in collaboration with UNCTAD, UNEP, the WTO, and the UN Economic Commission for Europe (ECE) (UNESCAP, 2018). The project aims to strengthen the capacity of developing countries to formulate and negotiate effective trade and environmental policies (UNESCAP, 2018). Individually, the UN Regional Economic Commissions are engaged in a range of policy and capacity-building efforts related to sustainable trade. UNESCAP, for instance, is conducting activities on climate and trade, while UNECE focuses on the role of trade policies in supporting the transition to a circular economy, as well as how digital innovations can be used to support the traceability and transparency vital to sustainable supply chains.

4.2.5 UN Forum on Sustainability Standards

The United Nations Forum on Sustainability Standards (UNFSS) addresses the sustainable development value of voluntary sustainability standards (VSS) by “pooling resources; synchronizing efforts; and assuring policy coherence, coordination, and collaboration among United Nations agencies” (UNFSS, n.d.b). The UNFSS supports a large variety of stakeholders (e.g., traders, consumers, NGOs, researchers) to learn more about VSSs. To address the challenges many developing country businesses face in complying with VSSs and exporting to more profitable markets in developed countries, the UNFSS aims to help them minimize the costs of adjustment and maximize potential through (UNFSS, n.d.a):

- **Informed policy dialogue:** A forum in which participants from both developed and developing countries create a constructive dialogue with the aim of creating strategies to maximize the impact of VSSs.
- **Research and Analysis Hub:** The UNFSS publishes a biannual flagship report for stakeholders from both the public and private sectors.
- **Support for National Initiatives:** Emerging economies, supported by the forum, have set up multi-stakeholder platforms on VSSs to consider local priorities and discuss strategic approaches.

4.2.6 The World Customs Organization

The World Customs Organization hosts a Green Customs Initiative, which is a partnership of international actors working “to prevent illegal trade in environmentally sensitive commodities and substances (such as ozone-depleting substances, toxic chemicals, endangered species, and certain living modified organisms) and to facilitate their legal trade” (Green Customs, n.d.). The Green Customs Initiative conducts activities to enhance the capacity of customs and border control officers to monitor and facilitate legal trade while also preventing illegal trade, including by raising awareness of relevant international agreements and providing practical tools. The World Customs Organization has been working with the Basel Convention Secretariat, for example, to support national capacities required to implement new Basel Convention restrictions on trade in plastic waste as well as guidelines on trade in e-waste.



5.0 Wider Landscape of International Financial Cooperation on Sustainability Relevant to the Greening A4T Discussion

Beyond the A4T arena, a range of international initiatives are actively working to finance and build capacity for environmental sustainability in developing countries; some of these are directly relevant to greening trade, and many could be harnessed to support such efforts. This section provides a snapshot of a selection of financial sources, organizations and initiatives that are especially relevant to sustainable trade and the green economy.

5.1 Global Environment Facility

The Global Environment Facility (GEF) was established on the eve of the 1992 Rio Summit. Today, with a partnership of 183 countries, international organizations, NGOs, and the private sector, it is the largest intergovernmental funder of projects related to environmental sustainability. Projects funded by the GEF are related to the following main areas: biodiversity, international waters, climate change, land degradation, ozone layer depletion, and persistent organic pollutants (World Bank & GEF, 2019). Figure 5 shows the percentage of funding that goes to each area. While GEF reporting does not designate which projects have a trade component, a number of projects are specifically related to supply chains and trade-related issues, such as trade in illegal wildlife (GEF, 2020).

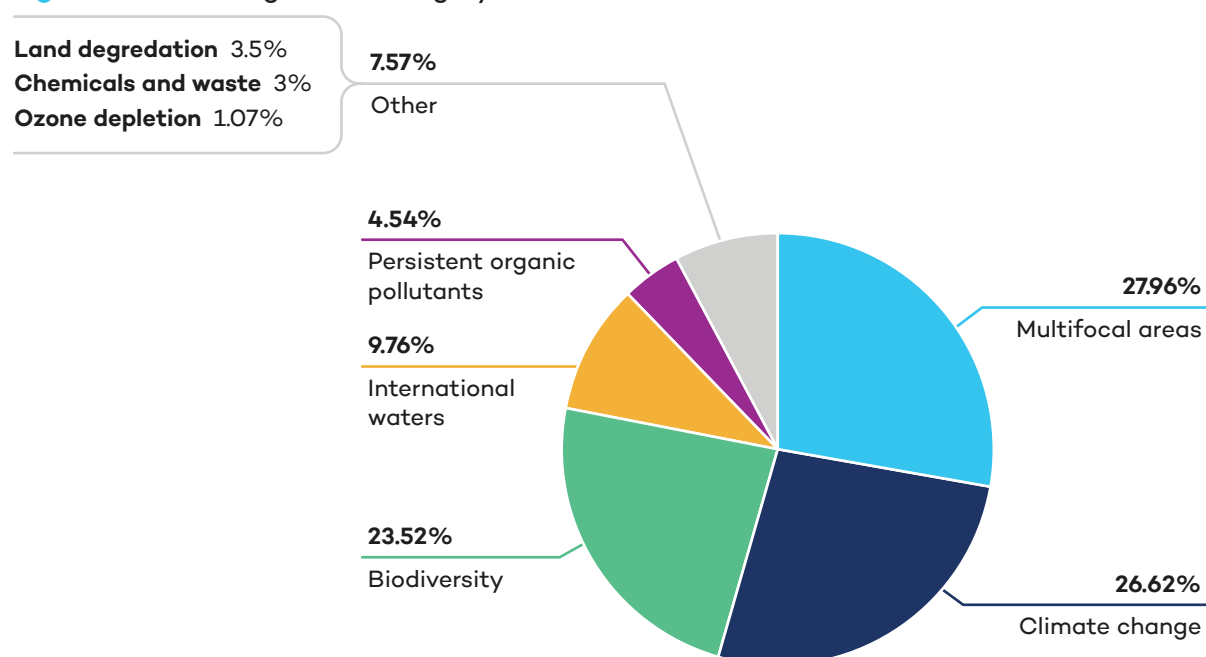
The GEF has disbursed some USD 16 billion since 2001 while also leveraging an estimated USD 100 billion in co-financing from other sources. Member states agreed to the following goals for the 2019–2022 funding cycle:

- Climate change: Reducing greenhouse gas emissions by 1.7 billion metric tonnes of CO₂ equivalent.
- Biodiversity and desertification: Conserving a total of 226 million hectares of land and sea, contributing to more sustainable use of 381 million hectares of land and sea, and renaturing seven million hectares of land.
- Chemicals and waste: Disposal, destruction or avoidance of 108,000 tonnes of toxic chemicals and wastes.
- International waters: More sustainable management of 35 transboundary waters (fresh and saltwater).

In addition, a special Least Developed Countries Fund (LDCF) was created to support a GEF work program focused specifically on assisting LDCs (World Bank Group & LDCF Trust Fund, 2019). A core purpose of the funding is to help LDCs identify their most immediate needs and to prepare and implement national adaptation programs of action (GEF, n.d.). Currently, the LDCF holds the largest portfolio of climate change adaptation projects in the LDCs (GEF, n.d.).



Figure 5. Percentage of funding by GEF focal area



Source: World Bank & GEF, 2019.

Also in 2001, a Special Climate Change Fund (SCCF) was created under the GEF to address the specific needs of developing countries under the United Nations Framework Convention on Climate Change (UNFCCC). The SCCF is administered by the GEF and is intended to catalyze additional finance from bilateral and multilateral donors (Climate Funds Update, n.d.). The SCCF finances projects related to capacity building, adaptation, and technology transfer, as well as climate change mitigation and diversification efforts for countries that are highly dependent on fossil fuel industries (ICAO, 2010).

5.2 Green Climate Fund

Climate finance is an enduring challenge for international cooperation on climate change. In 2010, the UNFCCC created the Green Climate Fund (GCF), which is now the world's largest fund dedicated to channelling the resources developing countries need in order to reduce their greenhouse gas emissions and adapt to climate change. The GCF especially supports those countries that are most vulnerable to the effects of climate change, such as LDCs, SIDS, and African countries (GCF, n.d.a).

The GCF's stated goal is to reach a 50:50 balance between investments in climate change mitigation and adaptation over time, with a minimum of 50% of its adaptation resources to be allocated to particularly vulnerable countries (GCF, n.d.c). The GCF prioritizes investments in the areas of climate-compatible cities, low-emission and climate-resilient agriculture, protection of forests, enhancing resilience in SIDS, and transforming energy generation and access to clean energy.

GCF projects and programs are realized by Accredited Entities (UN organizations, multilateral development banks, and other regional, national, or subnational organizations)

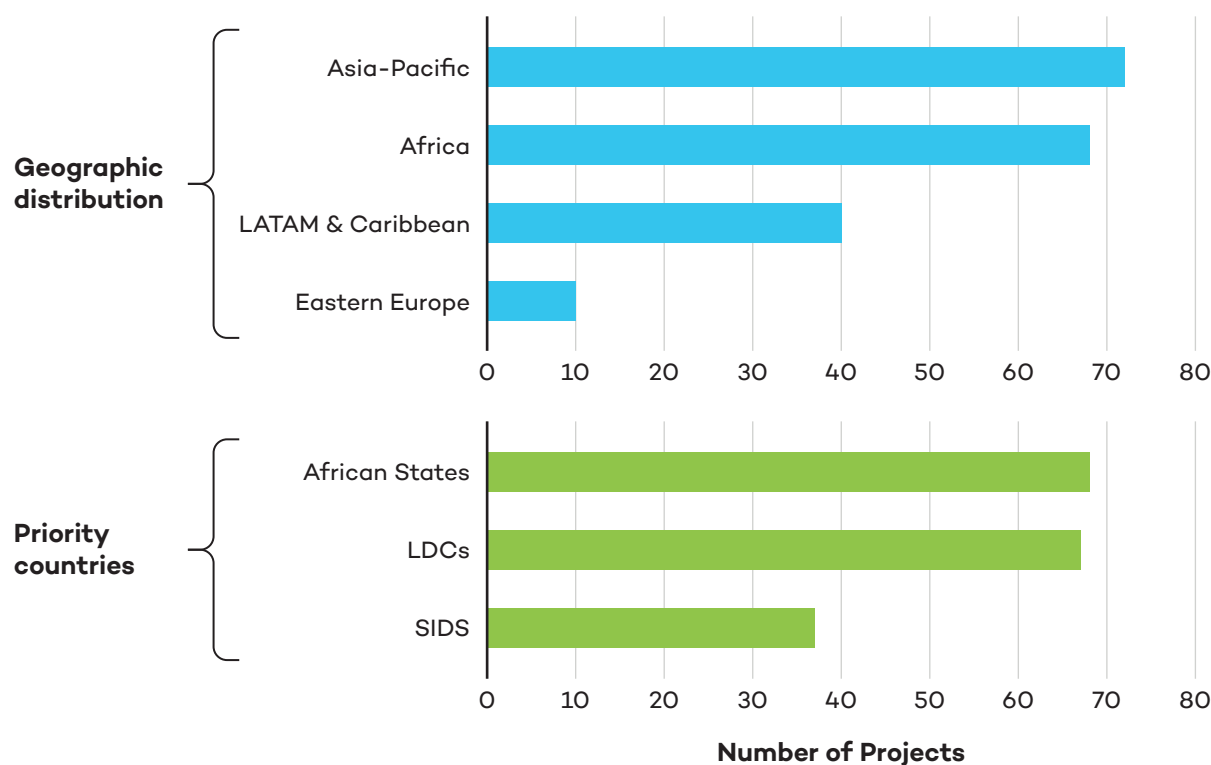


in cooperation with the recipient countries, where National Designated Authorities work to ensure that GCF-funded projects are in line with national plans and strategies.

While countries pledged some USD 103 billion to the GCF, in reality, a far smaller amount has been made available, meaning that the total amount approved for allocation to projects by the GCF Board as of December 2021 was only USD 8.4 billion (GCF, n.d.b). At that date, if additional co-financing by other partners was taken into account, the total amount of financing for GCF projects (including GCF financing and co-financing) was USD 30.3 billion. The proportion allocated to climate change mitigation was 64%, while 36% was devoted to adaptation. Figure 6 shows the geographical distribution of the funding allocated up until December 2021, while Figure 7 provides an overview of the topics and challenges that GCF’s portfolio has been working to address.

Notably, whereas A4T funding and activities are generated through government financing and generally implemented through bilateral, regional, or multilateral development agencies, the GCF operates through a wider network of accredited partners that includes private investors (such as national commercial banks and equity funds) and civil society organizations. The GCF also uses a range of financing instruments, meaning that its support can combine grants, concessional debt, guarantees, or equity instruments, with the goal of leveraging blended finance and crowding in private investment for climate action in developing countries.

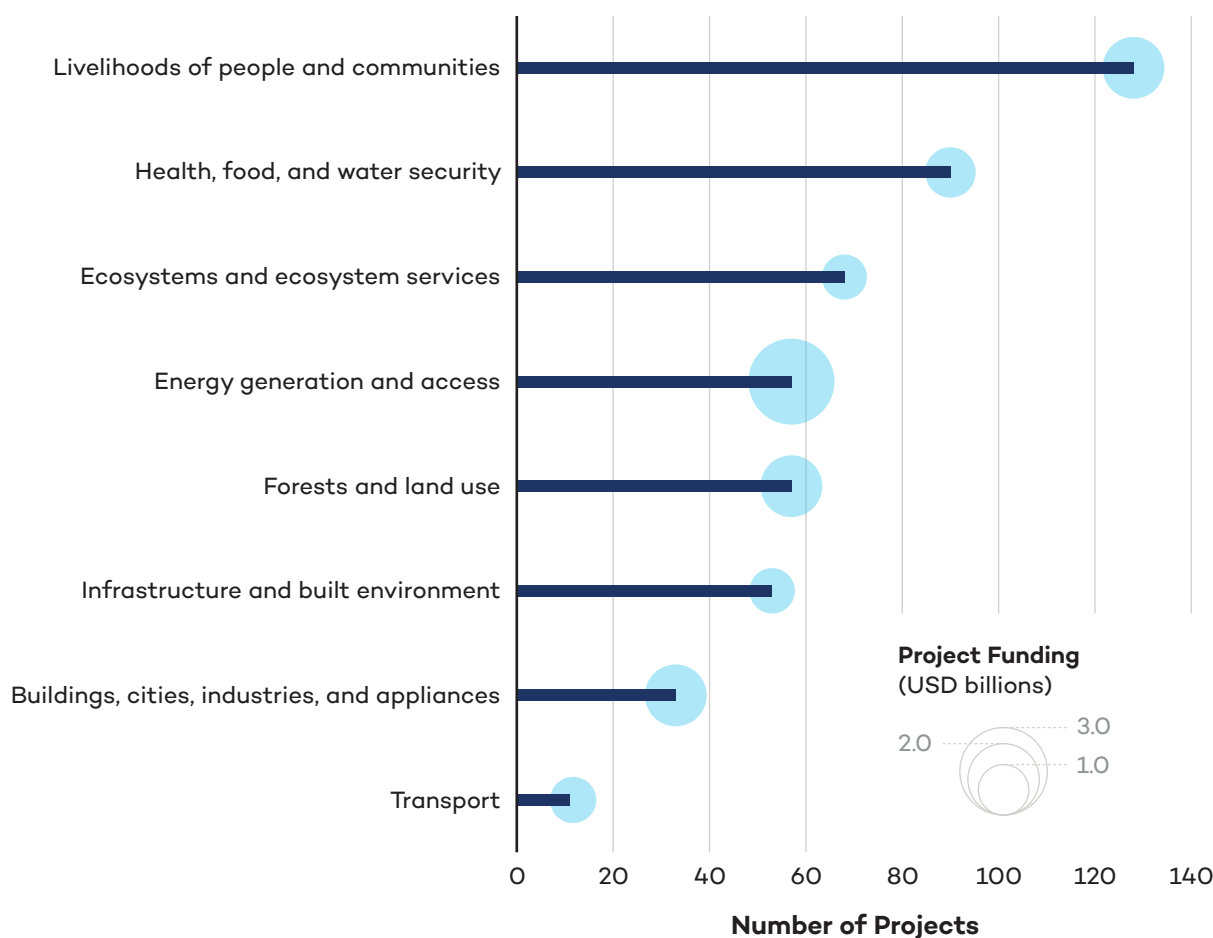
Figure 6. Geographic distribution and priority countries for the GCF (as of December 2021)



Source: GCF (2021).



Figure 7. GCF funding amount by target (as of December 2021)



Source: GCF (2021).

5.3 Green Trade Finance

Green trade finance warrants greater attention in the discussion of the intersection of green trade and sustainable development. There are two aspects to this issue.

The first aspect relates to the environmental track record of trade finance provided to exporters and importers by government-backed national export and import promotion bodies as well as multilateral and regional development banks (such as through loans and guarantees) (Export Credit Agency Watch, n.d; OECD et al., 2018; Oil Change International et al., 2017). Environmental advocates have long noted the need for stronger environmental criteria and risk assessment of trade finance.

In the context of the climate crisis, governments are facing pressure from climate campaigners to end public support from their export credit agencies for fossil fuel projects. For instance, the United Kingdom committed in late 2020 to ending “export finance, aid funding, and trade promotion for new crude oil, natural gas, and thermal coal projects, with very limited exceptions” (Prime Minister’s Office, 2020). In 2021, seven European countries announced the creation of an Export Finance for Future coalition, committing to increasing export



finance support for sustainable projects, ending official finance for thermal coal projects and related infrastructure, and exploring how best to phase out export finance for oil and gas (Atkins, 2021).

A second aspect of trade finance relates to developing countries' needs for increased access to trade finance for their exports from both public and private sources. Developing countries face a huge gap in financing for their economies in general, including trade financing for their exports in the form of export credits, guarantees, and insurance (Gonzalez & Terai, 2020; UN, 2022b). Globally, the trade finance gap, which was estimated at USD 1 trillion pre-COVID-19, especially impacts MSMEs in developing countries (Kim et al., 2019; UN, 2022b). In the context of COVID-19, developing countries, and especially LDCs, face even more challenges in acquiring trade finance, including finance to support sustainable trade. Indeed, the trade finance gap is estimated to have grown to between USD 2.5 trillion and USD 5 trillion for the post-COVID recovery period up to 2025 (UN, 2022b). To foster green exports from developing countries and support the participation of their businesses in green value chains, an increase in green trade finance—destined for environmentally sustainable exports—will be vital.

Interest in green trade finance is growing, as reflected in two positive recent developments. In October 2021, governments participating in the OECD Arrangement on Officially Supported Export Credits agreed to end officially supported export credits and tied aid for unabated coal-fired power plants (OECD, 2021a; OECD, 2022). Meanwhile, the International Union of Credit and Investment Insurers (known as the Berne Union), which brings together public and private export credit agencies, export-import banks, and political risk insurers, is becoming more active on environmental issues (Shishlov et al., 2020, p. 66). Reflecting the growing swell of commitments from financial-sector actors to net-zero emissions (UNEP, 2019), members of the Berne Union are expressing interest in issues of climate risk, with some calling for a transition to net-zero portfolios before 2050 (see Box 3) (Bronswijk et al., 2021; Hale et al., 2021). While much of the attention on export credit agencies focuses on climate at present, this could be expanded to include the consideration of a wider range of nature- and pollution-related criteria, such as the environmental sustainability of agricultural and commodity investments associated with a high risk of deforestation and biodiversity loss (Robertson, 2020). On the flip side, trade finance could also be channelled toward “SDG-positive” projects that could advance the implementation of the UN’s 2030 Agenda (Zabielski, 2020), support greener exports from developing countries, and help developing country businesses reap greater returns from their participation in green value chains. Achieving progress on green trade finance will require cooperation among finance and trade ministries, along with ministries of the environment.



Box 3. The International Union of Credit and Investment Insurers (Berne Union)

The Berne Union is an international non-profit association representing the investment insurance and global export credit industry and includes both private sector and public sector agencies (such as export credit agencies) (Berne Union, n.d.). With many of its members undertaking significant efforts toward zero emissions, the Berne Union is considering work on a net-zero commitment (Bronswijk et al., 2021). One proposal for a Berne Union Net Zero Club recommends requiring full transparency about support for both emission projects and low-carbon transactions. It recommends realigning mandates and corporate strategies, principles of intervention, and operating models, such as the UN Principles for Responsible Investment (PRI), to align all new financing and insurance activities with the objectives of the Paris Agreement (Bronswijk et al., 2021).

5.4 A4T, Debt and Sustainable Trade

The external debt and recurring financial crises facing many developing countries, which have been exacerbated by the COVID-19 pandemic, are a central part of the wider economic context for discussion of sustainable trade and green A4T. The nexus of trade, debt, finance, and sustainable development has been on the international agenda for several decades. Since the Rio Summit in 1992 (UN, 1992), a long series of international processes have highlighted the importance of debt relief and enhanced financing for development, including through new approaches (UN, 2019). In 2001, as part of the Doha Development Agenda, WTO members agreed to establish the Working Group on Trade, Debt and Finance to examine the intersection of these issues and to provide recommendations for how the WTO could contribute to a

 durable solution to the problem of external indebtedness of developing and least-developed countries, and to strengthen the coherence of international trade and financial policies, with a view to safeguarding the multilateral trading system from the effects of financial and monetary instability. (WTO, n.d.e)

On the environment and trade front, the issue of debt relief is important for two reasons. First, to meet debt servicing obligations, many developing countries rely on export revenues to generate the necessary foreign exchange (Clarke, 2020). The pressure to generate export revenues can exacerbate unsustainable patterns of natural resource extraction, especially in countries with weak environmental institutions (Picolotti & Miller, 2020). Financial volatility—and especially drops in commodity prices—also place trade-related pressures on the environment and can provoke a range of negative impacts on sustainable development due to lower export earnings.

Second, in the context of COVID-19, the collapse in revenues from trade and tourism has exacerbated the challenges developing countries face in servicing debt and paying for critical imports (Picolotti & Miller, 2020). As the economic pressures arising from the COVID-19 pandemic persist, there is growing pressure for debt relief that is designed in ways that address



the climate crisis, especially for countries facing the shock of climate-related natural disasters. Even before the pandemic, calls to use debt relief to support climate action were advanced by UNCTAD in 2019 as part of its proposal for a Global Green New Deal (UNCTAD, 2019).

Debt relief would free national resources currently devoted to servicing debt to be channelled instead to environmental protection, climate-smart energy infrastructure, and a lower carbon economy. Reducing debt-related pressures to generate export revenues could also relieve a key driver of unsustainable extraction and use of natural resources (Agence France-Presse, 2021; IMF, 2021; UN, 2021a). A range of proposals has emerged for debt-for-nature and debt-for-climate commitments as a core priority for COVID-19-related debt restructuring. Here, governments can draw on experience with debt-for-nature swaps from the mid-1980s when several Latin American countries, for instance, received some foreign debt relief in exchange for local currency expenditure on programs to improve environmental quality, primarily carried out by NGOs and sometimes involving the creation of national environmental funds (Sarkar, 1994; Deere & Bayon, 2007).

Looking forward, countries can act by themselves: China and the EU—each of which holds a large share of the sovereign debt of developing countries and has influence over other debt holders—could pursue sovereign debt restructuring that offers more favourable terms to countries that improve environmental protection. International cooperation and leadership will also be needed, and in the lead-up to COP 26, governments are taking several steps that can be built upon. In 2021, for instance, the G20 called on the IMF to present proposals for swapping debt-for-climate action (Akhtar et al., 2020; Picolotti & Miller, 2020; Volz et al., 2020; Widge, 2021), and the IMF announced it would develop a Resilience and Sustainability Trust to help climate-vulnerable countries address the triple crisis of debt, COVID-19, and climate change, providing up to USD 50 billion in climate finance (Faran, 2021).

5.5 Private Finance and Investment

While beyond the scope of this paper to review at length, it is important to note that the private sector is key to mobilizing the financing and investment needed to support the transition to sustainable trade. Enabling investment policy frameworks is central to this mobilization strategy, as is the strategic use of public funds and donor support to trigger and de-risk certain private sector investments. A range of private sector actors is already involved in financing measures in some developing countries to mitigate and adapt to climate change because such investments can be profitable, improve the management of climate risks in supply chains, safeguard or improve company reputations, and help meet their own net-zero commitments.



6.0 Boosting Support for Environmental Sustainability in Trade: Perspectives, framing, and recent developments

6.1 Perspectives: Greening A4T in context

For developing countries, the green trade agenda is viewed in the context of wider economic and trade priorities, such as economic diversification and resilience, and the economic costs of responding to immediate environmental challenges.

Similarly, A4T is just one piece of a wider enabling and supportive policy environment needed to support the shift toward greener, more inclusive economies that support sustainable development. A4T is also only one aspect of a far wider challenge of financing sustainable development, especially in the context of the dual tasks of climate change mitigation and adaptation.

In 2019, UNCTAD's flagship Trade and Development Report, entitled *Financing a Global Green New Deal*, emphasized the importance of appropriate incentives and support for developing countries to leapfrog carbon-intensive development paths and promote green sectors and exports, including through public and private investment as well as strategic industrial policies (UNCTAD, 2019). Examples of relevant industrial policies include subsidies, government procurement policies, tax incentives, loans, guarantees, intellectual property policies, and licensing laws that support environmentally sustainable production. UNCTAD argues that all of these industrial policies have links to trade and that developing countries require enabling international trade and investment frameworks in order to pursue them (UNCTAD, 2019).

Alongside calls for enhanced A4T, developing countries have consistently emphasized the importance of trade rules and wider improvements to global economic governance that would enable and support their efforts to diversify their economies, including through the development of environment-related sectors and related exports. Among the many policy approaches and instruments under discussion are expanded access to green trade finance, debt relief (Akhtar et al., 2020; Volz et al., 2020), increased investment in green productive capacity, increased access to and uptake of environmental technologies, and investment and trade policy frameworks that enable countries to use industrial policy policies to promote economic diversification, including into green sectors and value chains (Davies et al., 2021; Sauvart and Hamdani, 2015; UNCTAD, 2019, 2021c).

Similarly, developing countries have argued that extended deadlines or exemptions for the implementation of certain WTO obligations, most notably for LDCs, are not sufficient to address either the challenges that international trade rules can present for developing countries or the negative impacts of distortions in global markets. They underline that the push to green the global economy should not result in unfair discrimination and unnecessary trade barriers, nor should it deepen the technology gap between developed and developing



countries. They also emphasize the need for developed countries to take action to green their own trade policies, including by eliminating trade-distorting practices that undermine environmental goals and sustainable development (such as many agricultural subsidies), and support opportunities for developing countries to participate fairly in environmentally sustainable supply chains (WTO, 2021c).

Such concerns are at the heart of long-standing debates at the WTO on provisions for special and differential treatment, where there are growing pressures from developed countries to move away from treatment based on a self-declared developing country status to a more tailored approach based on the specific issues and countries at hand. An underlying challenge in these debates is the reality that developing countries have diverse circumstances and economic profiles. While there is broad consensus around the need for special and differential treatment for LDCs, there is little agreement on how the varying needs of a range of developing countries and their eligibility for support should be assessed. SIDS, for instance, are highly vulnerable to environmental and economic shocks (such as from COVID-19) and yet face significant hurdles in accessing urgently needed concessional external support due to their relatively high gross domestic product per capita (Rashid et al., 2020).

In the context of COVID-19 response and recovery policies, many governments in both developed and developing countries are focusing on the strategic management of trade, the resilience of supply chains, and securing access to essential products. These goals have spurred increased government intervention in the economy, new trade barriers, and growing discussion of policies to re-shore production, shorten global supply chains, and favour national products. The ramped-up focus on strategic industrial policies is increasingly combined with environmental policy goals, such as climate action. A number of leading economies, for instance, devote significant public resources through subsidies, research and development, investment, and tax incentives, as well as government procurement schemes to bolster the development and competitiveness of low-carbon technologies and industries.

Few developing countries, however, can come close to matching the scale of resources that developed countries are devoting to transforming their economies and to building competitiveness in a greener, decarbonized global economy (Lockhart et al., 2022). In this context, A4T is an important channel through which developing countries can secure resources needed to address the trade-related challenges of environmental degradation and to support trade-related infrastructure, economic diversification, and supply-side capacity that are aligned with the growing need to be green in order to compete in the global economy.

6.2 Reframing the Issue of Responsibility

A key challenge for cooperation on environment and trade is to ensure that responsibilities for greening the global economy are fairly applied within and between countries. In this spirit, developing countries frequently call for stronger attention to the importance of fairness, responsibility, and just and fair transition in environment-and-trade discussions, a framing that is also relevant to the A4T discussion.

There is broad recognition that developing countries bear the greatest share of the economic costs of environmental degradation and yet have the fewest resources available for



environmental protection. An array of MEAs and international declarations firmly establish that the economic burden of the global response to environmental challenges should not fall on the world's poorest and most vulnerable economies. They also establish the responsibility of developed countries to provide financial resources, capacity building, and technical assistance to bolster environmental capacities in developing countries. International law related to the environment has long acknowledged developed countries' historical responsibility for environmental damage (Neumayer, 2000), a concept which is reflected in the principle of "common but differentiated responsibilities and respective capacities" (CBDR-RC) in the UNFCCC.

While the commitment—and legal obligations—of developed countries to provide capacity building and technical assistance to developing countries is included in many MEAs, international trade agreements, and the UN SDGs, there are enormous gaps in the scale of assistance relative to the needs at hand. In the trade policy arena, a stronger focus on environmental sustainability will not be possible, practically or politically, without a package of policies and resource commitments that recognize the need for partnerships backed by resources to achieve shared global environmental and sustainable development goals. Stressing the financial and technical costs of a transition to a green economy and green trade, developing countries emphasize the relevance of the principle of CBDR in the trade context.

The environmental burden on developing countries has also been conceptualized as an ecological debt that developed countries owe to developing countries (Simms, 1999; Rice, 2009). Given the economic loss and damages that developed countries' GHG emissions have imposed on developing countries (Srinivasan et al., 2008; Vulnerable Twenty Group, 2022), both compensation and debt relief have been advocated as a necessary quid pro quo for the ecological debt owed by developed countries (Simms, 2001, p. 5).

The rise of consumption-based environment footprint accounting is further reshaping the understanding of the global distribution of the responsibilities and risks of environmental degradation (see Box 4). Growing evidence of the ways in which the environmental and carbon footprint of developed country consumption is increasingly located in developing countries further reinforces arguments for enhanced environmental financing as well as A4T and debt relief that enables countries to address environmental challenges, support sustainable development, and pursue sustainable trade.



Box 4. Consumption-based environmental footprint accounting

Through international trade, consumers located around the world have access to goods and services that rely on environmental inputs and services from multiple countries. Supply chains that span regions and environmental pressures that are transboundary mean that for many goods and services, national consumption in one country is linked to environmental pressures arising from production in other countries.

The environmental costs of developed country consumption, for instance, are increasingly experienced in production sites in the developing countries from which they import—that is, some countries effectively “offshore” or “export” their environmental footprint. At the same time, countries may also export goods that generate environmental harm abroad, such as exports of hazardous and other wastes that the importing country lacks the capacity to manage in an environmentally sound manner, or exports of second-hand goods, such as used vehicles that contribute to challenges such as air pollution. In short, it makes little sense to think about the environmental impacts of trade occurring in one country or that one country bears the responsibility and economic cost alone.

In response, growing efforts to track the global ecological footprint of national consumption are making it possible to measure the total internal and external environmental pressures associated with a country’s domestic consumption—including its imports of goods and services—along global supply chains (Global Footprint Network, n.d.b). For instance, the World Wide Fund for Nature (WWF) showed that in 2016, around 46% of the United Kingdom’s global carbon footprint was from emissions released overseas to meet British consumption (World Wide Fund for Nature, 2020). In Europe, emissions stemming from the consumption of imports account for more than 30% of the total emissions of European countries—that is, Europe’s total consumption-based emissions are higher than its territorial emissions (Lamy et al., 2019, p. 15).

By enabling the systematic monitoring, assessment, and transparency of each country’s imported goods and the related environmental impacts beyond national borders, consumption-based global ecological accounting could be a game-changer for trade negotiations in the coming years. Approaches that consider a wide set of environmental impacts (including but not limited to carbon footprints) have the potential to reshape our understanding of what is traded internationally, how governments measure and distribute the responsibility and risks of environmental degradation, and how cost-sharing for improved environmental performance could be better reflected in trade-related bargaining and rule-setting (Global Footprint Network, n.d.a).

Source: Excerpt from Deere Birkbeck (2020b, p. 52).



7.0 Environment-Related A4T Priorities

Developing country governments and sustainable development advocates from international organizations, civil society, the private sector, and the research community have advanced a range of environment-related A4T priorities.

The following is a summary of some of the main priorities that have emerged through intergovernmental statements (WTO, 2021e; WTO, 2021f); reports from international organizations, such as UNEP (2020) (see Box 5), the World Bank (Brenton & Chemutai, 2021) and the UN (UNESCAP, 2021); studies supported by the Enhanced Integrated Framework (Keane et al., 2021) and civil society organizations (Monkelbaan et al. 2021, see Table 5); and policy dialogues and presentations on this topic (IISD, 2021b; WTO, 2021c; ODI, 2021; EIF, 2021b).

Cross-Cutting Priorities

- Integrate environmental considerations related to climate change, nature loss, and pollution into A4T projects (UNEP, 2020), and integrate trade considerations into climate change and environmental projects supported through overseas development assistance (such as in climate adaptation projects for agriculture).
- Identify and promote opportunities for developing country exports of environmental goods and services as part of wider export diversification and competitiveness strategies (e.g., sustainably produced agricultural products, biodiversity-based products, and environmentally sound non-plastic substitutes, as well as a range of inputs into green supply chains).
- Support the competitiveness of developing countries, and especially LDCs, in environmentally sustainable production and trade, including by boosting investment in low-carbon, environmentally resilient supply-side, productive capacity; promoting access to relevant technologies (such as low-carbon and climate-smart technologies); and boosting trade finance for green exports, particularly for MSMEs (Keane et al. 2021).
- Enhance access to international markets for environmentally sustainable exports from developing countries, expand participation and share of returns from participation in environmentally sustainable supply chains.
- Provide support to help producers adapt to changing environmental conditions and regulatory frameworks, including support to overcome market access challenges presented by environmental measures implemented in export markets, as well as providing support to meet voluntary sustainability standards, certification requirements, and environmental regulations that impact access to export markets and participation in international supply chains.



Thematic Priorities

- Integrate trade-related considerations into climate change mitigation and adaptation strategies (see Box 6), including through the development of trade-related policy and regulatory strategies needed to advance progress on NDCs and National Adaptation Programmes of Action (NAPAs) developed under the framework of the Paris Agreement (see Box 7) (ITC, 2016, 2018).
- Facilitate affordable access to the technologies and finance needed to leapfrog dirty industries, phase out brown industries, and strengthen participation in supply chains for low-carbon technologies (UNEP, 2020) (see Box 5).
- Invest in sustainable, resilient infrastructure, including energy and power generation, transport and port facilities, and efficient logistics (International Institute for Sustainable Development [IISD], 2020, 2021a; UNEP, n.d., 2021; WTO, 2019a; OECD et al., 2018) (see, for instance, Box 8).
- Promote the transition toward more circular economies that support sustainable development priorities, including through regulatory and trade frameworks to facilitate access to and uptake of goods, technologies, and services necessary for safe circularity (such as environmentally sound waste management and recycling technologies and services), focusing on those that are adapted or adaptable to local circumstances and priorities (such as the livelihoods of vulnerable communities working in local waste sectors) (see Box 9). Countries may also consider the need for assistance to support their participation in circulate global value chains (such as for recycling, refurbishment, and remanufacture of goods), while guarding against imports of waste that undermine national environmental protection and sustainable development priorities.
- Support trade-related efforts to tackle plastic pollution, including through cooperation that supports environmentally sound management, recovery and recycling of plastics; enhanced access to key technologies for reducing plastic pollution; expanded trade in “environmentally sustainable and effective substitutes and alternatives”; the design and implementation of trade policies to address plastic pollution; and sustainable production and consumption of plastics (Sugathan, 2022; WTO, 2021f).
- Support action on the trade-related aspects of sustainable agriculture as well as the conservation and sustainable use of biodiversity, including a shift to more environmentally sustainable agriculture production, land use, and forest management, as well as efforts to meet relevant international standards and acquire the certifications needed for access to international markets. The agricultural sector and agricultural trade are key concerns for LDCs that will be disproportionately impacted by climate change.
- Boost participation of developing countries in environmentally sustainable value chains for natural resources, such as metals, forest products, and minerals.
- Support efforts to seize trade-related opportunities linked to the blue economy and to address trade-related challenges, including in relation to sustainable fisheries production and other ocean-based exports, plastic pollution, and sustainable tourism.



Policy and Institutional Priorities

- Support participation of developing countries and businesses in the development and implementation of international standards relevant to their producers, including through support for MSMEs to meet the costs of certification.
- Integrate environmental sustainability goals and considerations into the development of national trade policies and strategies, and vice versa.
- Strengthen institutional linkages on trade, environment, and sustainable development policy-making at the national level, including through the establishment of consultation and inter-ministerial coordination within governments, and at the international level, including through stronger cooperation among international organizations, initiatives, and processes working at the intersection of these issues, such as on climate finance and A4T (see Box 11).
- Enhance technical capacity on environmental issues that arise in trade negotiations, including through support for sustainability impact assessments with regard to trade agreements and strategic assessments opportunities and challenges for countries with regard to environmentally sustainable trade.
- Support developing countries to access complementary sources of support for sustainable trade, including through climate finance, trade finance and private sector investment.
- Support the implementation of environment-related provisions in trade agreements and trade-related provisions in MEAs, including those related to restrictions on the imports of environmentally harmful or sensitive products.
- Build capacities of developing country customs authorities to monitor environmentally sensitive trade flows and to implement environment-related trade measures to restrict environmentally harmful imports at the border (see Box 10 on green customs initiatives).



Box 5. UNEP recommendations on greening A4T

Trade policy and regulation

- Support the development of trade policies and regulations that protect biodiversity and ecosystems that are important for tourism, export sectors, and climate change adaptation.
- Build capacity to negotiate and implement trade agreements that include the exchange of green goods, services, and technologies that can strengthen climate change adaptation, mitigation, and disaster preparedness and response.
- Support the development and implementation of policies aimed at improving sustainability in global value chains as well as integration into these value chains.

Productive capacity building

- Improve technology and management practices for climate-smart agriculture that can boost resilience in production and livelihood systems.
- Build capacity to take advantage of green market opportunities through the adoption of sustainability standards and improvements to quality infrastructure.

Economic infrastructure

- Promote investment in the use of renewable energies and cleaner, more efficient technologies in production processes.
- Support sustainable infrastructure featuring integrated and comprehensive environmental protection and management components.

Source: Excerpt of recommendations offered in UNEP (2020, p. 3).

Table 5. Synergetic approach to greening A4T

Conventional AFT	Green AFT	COVID 19 Recovery AFT	Synergetic AFT
Technical assistance for trade policy and regulations (helping countries participate in negotiations, develop trade policies and strategies, and implement those policies and strategies)	Technical assistance for environmental trade negotiations and development of improved environmental regulations	Technical assistance for developing and implementing trade policies resilient to shocks	Technical assistance for developing and implementing holistic and resilient trade policies Technical assistance for improving coordination between trade (WTO) and environmental (UNFCCC) negotiators



Conventional AFT	Green AFT	COVID 19 Recovery AFT	Synergetic AFT
Trade related infrastructure (building roads, ports, energy and telecommunication networks)	Support for climate resilient infrastructure, renewables and the transition from fossil fuels	Support for digital infrastructure to promote e-commerce	Support for complementary and climate-resilient physical and digital infrastructure
Building productive capacity and supply side capacity, including trade development (assisting countries to diversify their exports) and improved supply chains	Support for diversification into green products, services and supply chains	Support to adapt to the shock to supply chains	Support for regional and sub-regional supply chains for green goods and services
Trade related adjustment (assisting developing countries and LDCs with the costs associated with trade liberalization and loss of fiscal revenue).	Adjustment to green trade policies elsewhere, such as BCAs and enhanced due diligence in supply chains	Support to bear the costs of trade disruptions (e.g. that are hardest hit like tourism)	Support to bear the total adjustment costs (due to multiple reasons) to critical trade sectors
Other trade-related needs (if identified as trade-related development priorities in partner countries' national development strategies)	Support for green recovery objectives and NDCs	Support for longer term sustainable recovery and resilience	Support to align trade policy and performance to the achievement of SDGs

Source: Monkelbaan et al. (2021, p. 18)



Box 6. A4T for climate mitigation and adaptation

A key A4T priority many developing countries highlight is enhanced support for trade-related aspects of climate change mitigation and adaptation.

On the climate change mitigation front, A4T priorities that developing countries have noted include support for sustainable transport, energy, and trade infrastructure (e.g., sustainable transport systems, efficient logistics), sustainable tourism, sustainable land-use management for export-oriented agricultural, forestry, and food production, the adoption of climate-related sustainability standards, and participation in low-carbon supply chains. Developing countries have also called for support on trade-related actions needed to fulfill their NDCs under the Paris Agreement (ITC, 2016, 2018). Trade-related assistance for national and regional energy infrastructure could, for instance, focus on the transition to clean energy and, in the case of LDCs, the development of a green energy matrix. A key priority will be to explore how A4T can better support low-income countries to access low-carbon technologies that are vital to more sustainable production and trade, including through direct support and by examining trade-related policy constraints. There may also be scope for A4T to support efforts by countries to cooperate on emissions trading systems and to participate in international carbon offsetting projects (as envisaged under Article 6 of the Paris Agreement).

Notably, for developing country agricultural and industrial exports that contribute significant greenhouse gas emissions, reducing their carbon footprint will usually require significant economic transformations with implications for external trade, foreign exchange earnings, and powerful commercial constituencies at the national level. Transformation will require a significant increase in access to investment and technologies to enable decarbonization and to build climate-smart infrastructure and energy systems (especially in the case of LDCs, where energy needs far surpass supply). Developing country governments have expressed the need for transition support to address stranded assets and employment loss, to retrain workers, and also to access investments and technologies required to seize opportunities in industries and production methods that can support both environment and domestic economic goals.

On the climate change adaptation front, there is growing interest in A4T focused on supporting trade-related resilience in the context of climate shocks and natural disasters, including through projects to support climate-resilient port infrastructure, as well as projects that support climate change adaptation among exporting producers in developing countries (UNEP, 2020). Following cyclone Pam in Vanuatu, for instance, New Zealand and the EIF invested in rebuilding the seafont infrastructure in ways that would also support stronger tourism linkages to local businesses and more resilient infrastructure to withstand future storms.



Box 7. Trade and the Paris Agreement

Through their NDCs, countries set the extent and form of their contribution to climate targets under the Paris Agreement (Brandi, 2017). According to an assessment of the 2015 NDCs, 45% of NDCs submitted in the run-up to the UNFCCC 21st Conference of the Parties included a direct reference to trade or trade-related elements (Brandi, 2017). These included references to reducing trade barriers, regulating timber trade, regulating trade on climate grounds. In addition, there were references to trade-related issues of standards and labelling, border carbon adjustments, fossil fuel subsidy reform, international market mechanisms, and technology transfer (Brandi, 2017).

There is strong potential to channel A4T resources to support developing countries in integrating trade and trade policy-related considerations into their NDCs and NAPAs (Ancharaz, 2009; Keane et al., 2010). A recent development in this respect is the World Bank's new climate and trade policy diagnostic framework, which aims to support countries in assessing trade and climate opportunities and challenges (Brenton & Chemutai, 2021).

Box 8. A4T and sustainable infrastructure

In order to make progress on sustainable trade, sustainable infrastructure is vital. IISD (2021) observes, for instance, that

infrastructure investment is a powerful driver of economic activity. Done right, it holds enormous potential for alleviating poverty, improving access to basic services, creating employment and business, and ultimately contributing to the well-being of people and the planet.

As emerging markets and developing economies need vast investments for new infrastructure, and a large share of A4T already is devoted to infrastructure development, a stronger focus on sustainable infrastructure investments will be a key way for A4T to support environmental goals, the sustainable trade agenda, and developing countries' competitiveness in trade.

In the report, IISD describes sustainable infrastructure as assets that

- Lower carbon and environmental footprints
- Conserve natural ecosystems and biodiversity
- Optimize the use of nature-based infrastructure (IISD 2020)
- Move beyond compliance on core labour and human rights standards
- Trigger technological and industrial innovation across value chains
- Spur investment in education, skill-building, and research and development
- Increase long-term employment
- Are financially viable
- Crowd in domestic investors and businesses
- Increase opportunities for foreign direct investment
- Optimize value for money for taxpayers and investors across the asset life cycle.



Box 9. A4T, sustainable trade, and the circular economy

In 2021, the WTO Secretariat developed an issues paper that provides a framework for understanding the interaction between sustainable trade, circular economy, and A4T. The paper notes a range of issues for possible consideration by WTO members in the context of their 2022 A4T M&E exercise and the Aid for Trade Global Review, which provided a useful guide for discussions on this topic, including:

- How is sustainability being conceptualized and integrated into the national and regional development and A4T strategies of developing countries, donors (bilateral, regional, and multilateral), and South–South partners?
- What role do trade and trade policy play in the sustainable development strategies of developing countries, donors (bilateral, regional, and multilateral), and South–South partners? How are structural transformation and industrialization integrated into these strategies?
- Are circular economy (responsible consumption and production) perspectives being integrated into the national and regional sustainable development and trade strategies of developing countries, donors (bilateral, regional, and multilateral), and South–South partners? If so, how and in which economic sectors?
- What constraints may limit the conceptualization and adoption of circular approaches by developing countries, donors, and South–South partners?
- What opportunities for trade integration arise from circular economy approaches?
- How is the move to a sustainable or circular economy affecting the trade flows of least developed and other developing countries? What does this process look like in the sectors of greatest export interest for developing countries and LDCs? How is this process likely to evolve in the future?
- Where may adjustment costs be incurred in the transition to a sustainable or circular economy (responsible consumption and production)?
- Where might opportunities arise for economic and export diversification for developing countries and LDCs? What role could technology transfer play in helping countries seize these opportunities?
- How are sustainable development and circular economy approaches being integrated into the A4T policies of donors and South–South partners and mainstreamed into the design, monitoring, and evaluation of A4T projects? What role does technology transfer play in this regard?
- Are there examples of how A4T is supporting the formation of positive feeder loops in developing countries? Have members identified best practices that can be shared?
- What policy frameworks support the sustainable trade and circular economy approaches?

Source: WTO (2021d)



Box 10. Support for greening customs through A4T

National and regional customs authorities play a key role in monitoring and controlling the flow of goods across borders, including imports that are banned, restricted, or favoured on environmental grounds. As governments adopt regulations that aim to stem the flow of environmentally harmful and unsustainably produced products across borders and to promote flows of green goods, they depend on customs authorities to help implement them. Improved monitoring and regulation of trade based on the environmental characteristics and implications of products will rely on the capacity of customs authorities to correctly and consistently differentiate between products, especially where the sustainability characteristics do not relate to the product itself but to the production methods (which customs authorities will not be able to test or assess by examination of the product itself).

Greening trade flows will require considerable investments in technical assistance, training, and capacity building, especially in developing countries, so that customs authorities can accurately identify and classify different types of goods according to the appropriate environmental criteria or standards. It will also require clear communication and support to exporters and businesses on the definitions and labelling of goods for customs purposes. Here, proof of certified compliance with environmental standards and labelling schemes is likely to become increasingly important but will also raise questions about which standards are considered sufficiently robust on complex issues of sustainable production and how these should be applied by customs authorities, including for the application of bans, restrictions, taxes, or preferential access.

A4T that aims to improve the efficiency of customs procedures can also support environmental goals, such as reducing greenhouse gas emissions and pollution linked to transportation and customs delays.

Source: Adapted excerpt from Deere Birkbeck (2020), p. 50



Box 11. Linking climate finance and A4T for LDCs

The recommendations from a 2021 study on aligning climate finance and A4T include:

Ensuring the ability of aid for trade and climate finance to work more effectively together. This requires consideration of how DTISs can integrate objectives specified in NDCs and NAPAs, as well as vice-versa. Not only may this require greater coordination at the international level between the WTO and UNFCCC, but also nationally between trade and environment ministries. This process could begin through regular dialogues between the UNFCCC and the Committee on Trade and Environment. However, there will be a need to move beyond dialogue towards implementation, with specific timelines for operationalisation.

Conceptually, there is a need to consider climate change effects within aid for trade programming, related to both adaptation and mitigation. This goes beyond mainstreaming environmental concerns within programming.

Concessional finance in the form of climate finance or Aid for Trade needs to support LDCs to expand their productive capacity consistent with their climate goals. The focus on productive capacities as part of the next Programme of Action for LDCs (LDC V) provides an important opportunity, but climate change considerations must feature more prominently within trade support programmes.

There is a need to ensure that access to both aid for trade and climate finance is maximised pre-graduation and continued potentially for a longer period post-graduation than currently (around five years' additional support from the EIF). One option is to support the proposed UN LDC graduation facility and ensure that climate and trade are coordinated within national smooth transition strategies.

Access to climate finance mechanisms must be improved and there may be lessons from aid for trade programming at the country level. There will be a need for improved coordination between donors providing trade-related assistance and climate adaptation and mitigation finance.

A consistent programme of support to facilitate interactions between climate and trade negotiations could also be considered by development partners. The provision of resources contingent on cross-collaboration among trade and climate negotiators would help break down the barriers that often exist between these two groups.

Source: excerpt from Keane et al. (2021, p. 12).



8.0 Pathways Forward

As governments work to strengthen the environmental sustainability of trade and support sustainable development, A4T will be a critical component of the international cooperation needed. This report concludes with a synopsis of priorities, pathways forward, and recommendations for next steps in 2022.

8.1 Priorities

Priorities that developing countries have identified for environment-related A4T can be clustered under four overarching themes: support for scaling up environmentally sustainable exports and participation in green supply chains; support for economic transformation that supports environmentally sustainable production and exports; support for transition to sustainability; and support for climate readiness, adaptation, and resilience.

For each of these priorities, environment-related activities could be undertaken in each of the key A4T categories noted in Chapter 2 that would support wider sustainable development goals, including:

- Technical assistance to identify national priorities at the intersection of trade, environment, and sustainable development; develop national sustainable trade strategies and roadmaps; engage effectively in relevant international negotiations; and implement environment-related goals and provisions of trade agreements.
- Trade-related infrastructure that is low-carbon, climate-smart, and climate-resilient, is underpinned by clean energy systems, and is environmentally sustainable in terms of impacts on nature (e.g., green transportation, ports, telecommunication, and energy networks).
- Building productive capacity for green trade, including by assisting countries to shift toward sustainable and circular production, diversify economically, strengthen competitiveness in export markets for environmentally sustainable goods and services as well as low-carbon goods and services, and reap a greater share of returns from participation in green supply chains.
- Trade-related adjustments to support a shift toward greener trade, including assisting developing countries and LDCs in meeting the costs associated with implementing new environmental requirements and handling the adjustment challenges that arise from the shift to more environmentally sound production and trade.

8.2 Pathways Forward

This report has also identified six complementary pathways for greening A4T in ways that are aligned with sustainable development priorities.

The first pathway is to mainstream environmental goals in A4T planning and projects in order to ensure that activities address and mitigate environmental risks and adaptation challenges while taking advantage of green trade opportunities. This approach is especially relevant



for infrastructure projects that have significant climate, nature, or pollution implications as well as for projects in sectors with high environmental footprints, such as agriculture, natural resources, and tourism (WTO, 2019a). Greater attention to the environment in A4T planning and projects will require systematically applying methodologies for mainstreaming environmental considerations across A4T projects in ways that reflect the UN SDGs, as well as improving monitoring, reporting, and assessments of the environmental impacts of A4T. On the donor side, this should also include adding a review of their A4T commitments and disbursements to the issues examined in sustainability impact assessments of trade agreements and within the WTO Trade Policy Review process. At the international level, an overarching assessment of the environmental impacts and performance of A4T should be incorporated into the biannual A4T Global Review process.

A second pathway is to secure new and additional resources for environment-related A4T activities rather than substituting existing support. Importantly, a diversity of valuable A4T initiatives, pilot projects, and partnerships on sustainable trade already exist, hosted by a range of international and stakeholder organizations. However, many of these remain underfunded and are sometimes unknown by potential beneficiaries and donors (Deere Birkbeck, 2020b, p. 48). Scaling up resources for existing initiatives is an important way forward, along with raising awareness and sharing information about successes and lessons learned from existing approaches and projects. At present, the OECD, the WTO, and selected donors have detailed information about many such projects, but this information is not easily accessible to other donors, developing countries, or stakeholders that might learn from and build on them. Enhanced support should also be devoted to new initiatives that respond to environment and trade priorities identified by developing countries through needs assessments in light of international environmental commitments, the SDGs, and long-standing priorities such as economic diversification. Notably, alongside A4T, boosting the environmental sustainability of trade will require new and additional support for environmental law, institutions, and enforcement in developing countries.

The third pathway is to foster greater coherence between A4T and wider global policy agendas focused on fostering a green global economy, green COVID-19 response and recovery, implementation of international environmental commitments, and achievement of the UN SDGs. In developing and developed countries alike, the task of promoting the environmental sustainability of trade is intrinsically linked to the wider challenges of sustainable development and of green economic transformation and transition. Progress will require greater integration and institutional cooperation between the many disconnected sources of assistance intended to support environmental and sustainable development outcomes in developing countries, including ODA, environmental and climate financing, trade finance, blended finance (green bonds), debt relief, and A4T. In the case of LDCs, for instance, recent analysis emphasizes the need for improved coordination of climate finance and A4T to “better support LDCs to achieve a green structural transformation, reducing poverty within the constraints imposed by climate change” (Keane et al. 2021).

A fourth pathway is to ensure that A4T monitoring systems accurately capture and report information about the environmental purpose and impacts of A4T projects, and that this information is used to build an understanding of the linkages between environmental, climate,



sustainable development and trade goals, and ways in which A4T can be harnessed to increase synergies.

A fifth pathway is to integrate trade considerations into existing climate and environment funding initiatives and wider development assistance, especially for tradeable sectors where environmental concerns and opportunities are high (e.g., ranging from the blue economy and tourism to agriculture and natural resources).

Finally, greening A4T discussions should explore options for strengthening South–South cooperation on sustainable trade, including by learning from developing countries’ experiences and existing practices that support environmental sustainability in trade.

As emphasized across this paper, boosting the contribution of A4T to sustainability goals will also require complementary efforts to ensure that trade rules and policies reflect and address developing countries’ priorities and constraints. The shift to a green and inclusive global economy will require an enabling international policy framework that supports developing countries to be partners in and benefit from environmentally sustainable trade. This means avoiding the creation of unnecessary green trade barriers and reducing the environmental technology gap between developed and developing countries. It will also require rules and regulatory frameworks to ensure that businesses in developing countries can affordably access and adopt green technologies, goods, and services, and secure market access for their green and sustainably produced exports.

Critically, harnessing A4T for a transition to green trade that serves sustainable development will require putting developing countries in the lead—listening and responding to their priorities in the area of sustainable trade. This in turn will require action at both the national and international levels.

8.2.1 National Level

Ensuring that green A4T is aligned with nationally defined sustainable development and sustainable trade priorities will require national-level leadership and coordination by developing countries of donors and donor projects. To drive, coordinate, and ensure the effectiveness of A4T, country-led frameworks and roadmaps for the transition to sustainable trade are needed.

Devising such strategies—and A4T needs and priorities—will require considerable investment in policy-making processes that support integrated policy-making (Hoekman, 2022). Here, governments can use and build on existing work. In an array of existing national strategies, policies, and toolboxes designed to address the intersections of green economy, green industrial policy, circular economy, and trade goals (Partnership for Action on Green Economy, 2017a, 2017b, 2018). Governments and stakeholders can also take advantage of tools for assessing the environmental, social, gender, and human rights impacts of trade policies and agreements. In addition, they can integrate consideration of trade challenges and opportunities into national strategies for poverty reduction and climate action. The World Bank, for instance, has developed a climate and trade policy diagnostic framework to support countries in identifying and addressing opportunities and challenges at the climate–trade interface (Brenton & Chemutai, 2021, p. 113).



Advancing more integrated domestic policy development will require greater cooperation and coordination among ministries charged with trade, environment, climate, fisheries, agriculture, and infrastructure. National committees that advise governments and parliaments on trade will need, for instance, to incorporate representatives from the environmental field (and vice versa) and to ensure regular consultation with experts and stakeholders from business and civil society affected by the shift toward sustainable production, consumption, and trade.

On the donor side, governments can act individually and collectively to increase financing for additional aid for sustainable trade that addresses pressing environment and sustainable development goals in ways that support the expressed priorities of developing countries. Beyond development assistance through delivered loans, grants, technical assistance and training, donors should pursue complementary approaches to financing the economic transformations and just and fair transitions that more inclusive, sustainable trade requires. Debt relief could liberate significant resources to be devoted to sustainability goals, as could ensuring that government-backed export and investment support is channelled to businesses committed to environmental sustainability.

8.2.2 International Level

At the international level, the transition to environmentally sustainable trade will require political decisions to update A4T commitments, priorities, targets, and monitoring. At the operational level, it will require cooperation on the design and implementation of new tools and methodologies to integrate and monitor environmental sustainability into A4T decision making. It will also require processes that better engage developing country governments and stakeholders in the task of mainstreaming environmental opportunities, challenges, and priorities in A4T. Alongside, better coordination across multiple institutional and donor mechanisms that provide A4T will be essential.

A further priority at the international level is to catalyze synergies between the disconnected patchwork of actors working to green the global economy, focusing on the trade dimensions of this challenge. Given the massive trade-related challenges facing developing countries—and the huge gap between needs and available support for a just and fair transition to sustainable and green trade—a more integrated, coherent, and cooperative approach is needed. Top of the agenda should be stronger collaboration among the leading international public and private sector actors involved in financing at the intersection of environment, trade, and sustainable development, including those charged with ODA, environmental funding, climate financing, A4T and trade finance, and debt relief.

One example would be more effective partnerships on investments in green trade and supply chains, with a focus on activities that have the greatest sustainable development importance for developing countries. A concrete first step would be to identify opportunities to integrate, rationalize, and coordinate the design and use of the burgeoning range of diagnostic tools and needs assessments being proposed and deployed to identify priorities and guide action on interrelated issues of the green economy, circular economy, and poverty alleviation as well as on the implementation of the SDGs and of NDCs and National Adaptation Plans under the Paris Agreement. Integration of trade considerations as a cross-cutting concern in such work would not only support more integrated national policy-making, it would also strengthen the basis for prioritizing and allocating A4T.



8.3 Next Steps in 2022

This paper has reviewed a range of ways in which A4T could support a just and fair transition to sustainable and green trade, COVID-19 recovery, and the economic diversification and sustainable development goals of developing countries. A stronger focus on environmental sustainability in A4T could support developing countries to foster productive capacities to harness opportunities in green markets; achieve competitiveness in green supply chains; influence and adapt to new environmental market requirements and regulations that impact trade; boost resilience, climate readiness, and adaptation in key export sectors and supply chains; and build climate-smart, nature-positive, and resilient trade-related infrastructure.

To realize this potential, WTO members could pursue a number of steps in 2022, including:

1. Seizing the 2022 Aid for Trade Global Review as a catalyst for an assessment of environment-related challenges and priorities and to set environmental priorities for the A4T agenda. Concretely, governments could pursue the development of a clear set of environmental goals, priorities, and targets for the A4T work program for 2022–2024.
2. Convening a joint meeting of the Committee on Trade and Development and the Committee on Trade and Environment to review priorities at the intersection of A4T, environment, and sustainable development.
3. Harnessing Member-led initiatives such as TESSD and DPP—each of which highlight the importance of enhanced A4T for developing countries on issues related to environmental sustainability—to catalyze dialogue, share experiences and priorities, and bolster cooperation.
4. Calling on the OECD and the WTO Secretariat, in coordination with developing countries, donors, and international organizations, to:
 - Conduct an environmental review of A4T to provide a clear assessment of the current state of play and priorities going forward. Drawing on consultations, this review could analyze the environmental criteria used by A4T donors in their existing support; best practices in environmental risk and impact assessments; ways to improve monitoring of the environmental dimensions of A4T; strategies to promote greater synergies between A4T and other sustainable development and environmental financing initiatives; and mechanisms to improve the accessibility of information and facilitate knowledge exchange vital to enhanced cooperation in this area.
 - Support country-led assessments of A4T needs, priorities, and roadmaps with respect to sustainable trade and environmental goals and the inclusion of this information in Trade Policy Reviews.
 - Develop indicators for monitoring the environmental impacts of A4T at the project level and against key environmental goals, and develop strategies for addressing data constraints that may arise in developing countries in gathering relevant information.



- Develop best practices for designing and implementing A4T projects that support environmental sustainability objectives, including through (i) the development (in consultation with stakeholders) of updated OECD DAC guidelines on promoting and mainstreaming environmental sustainability in development assistance and (ii) the implementation of the new DAC guidelines on aligning development cooperation with Paris Agreement climate action goals.
 - Explore ways to develop a more comprehensive overview of A4T by including information on A4T provided through South–South cooperation, such as through enhanced cooperation with the UN Office for South-South Cooperation or UNCTAD.
5. Decide to convene a high-level summit on Financing a Just Transition to Sustainable Trade in 2023. The summit would provide a much-needed opportunity to promote increased financing and investment for the transition to sustainable trade and greater coordination among the array of actors engaged in development, trade, and environmental finance, including international organizations, governments, the private sector, and NGO stakeholders.



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