

Overview of the Aid for Trade initiative

The Aid for Trade initiative, led by the WTO, grew out of the 2005 WTO Hong Kong Ministerial Conference. Its aim is to help developing economies integrate into world trade by mobilizing additional development support to address supply-side capacity and trade-related infrastructure constraints in these economies. In 2006, the Task Force on Aid for Trade was constituted by the WTO Director-General to report to the General Council with recommendations on how to operationalize Aid for Trade.¹

Identifying sustainable economic and export diversification opportunities for developing economies and least-developed countries (LDCs) is an area of thematic focus in this work programme. It seeks to build on policy insights emerging from the 2020-2022 Aid for Trade work programme titled “Empowering Connected Sustainable Trade”. The 2023-24 Aid for Trade work programme, titled “Partnerships for Food Security, Digital Connectivity and Mainstreaming Trade”, was agreed by WTO members on 10 February 2023.

What does the initiative seek to achieve?

The WTO-led Aid for Trade initiative encourages developing-economy governments, donors and South-South partners to take account of the role that trade can play in their national and regional development strategies. The initiative recognizes that many developing economies face barriers that hinder their effective participation in the global trading system and prevent them from unlocking many of the benefits of international trade. In particular, the initiative seeks to mobilize financial resources to address the trade-related constraints identified by developing economies and least-developed countries.

The initiative also seeks to promote policy coherence by examining how trade is integrated into national and regional strategies, with a focus on how it can contribute to critical thematic areas for developing economies.

What is considered Aid for Trade?

The recommendations of the Task Force on Aid for Trade, which was endorsed by WTO members in 2006, identified the following categories of official development assistance (ODA) as defining the scope of Aid for Trade:



Trade policy and regulations: Technical assistance delivered to help economies develop trade strategies, negotiate more effectively and implement multilateral trade outcomes.



Trade development: Assistance for activities such as investment promotion, business support services, e-commerce, trade finance, trade promotion, market analysis and development.



Infrastructure: Financing that aims to develop the transport, energy and communications infrastructure to produce, move and trade goods for import and export activities.



Productive capacity: Assistance delivered to domestic industries and sectors to help economies expand and diversify exports by building on comparative advantages.



Adjustment assistance: Help with the costs associated with tariff reductions, preference erosion or declining terms of trade.

Development assistance directed to energy-related infrastructural activities (such as electrification, power generation and distribution networks) falls under the scope of Aid for Trade under the infrastructure category. Affordable and reliable energy is a fundamental input for creating tradable goods and services. Developing economies and LDCs often require energy investments to improve domestic capacity, which can lead to increased exports. Energy is also a critical input for trade-supportive activities such as storage of goods, transportation, customs procedures and electronic data interchanges. Furthermore, many developing economies may have comparative advantages in the production and trade of renewable energy and associated goods and services.

Trading priorities, flows and impact

The WTO and the Organisation for Economic Co-operation and Development (OECD) monitor Aid for Trade flows as reported by donors reporting to the OECD Development Assistance Committee (DAC). Non-OECD reporters (including South-South partners) also participate in the initiative, and examples of their cooperation activities are included in this report.

Between 2006 and 2021, a total of US\$ 631.2 billion was disbursed for financing Aid for Trade programmes and projects, with disbursements to LDCs amounting

to US\$ 174 billion. Disbursements to LDCs have increased in constant terms, from US\$ 5.5 billion in 2006 to US\$ 13.5 billion in 2021. This represents a 150 per cent increase over a 15-year period.

The energy sector is one of the largest recipients of Aid for Trade support, accounting for nearly 25 per cent of all disbursements (US\$ 116 billion) over the 2010-21 period. In 2021, the sector received nearly US\$ 11 billion of Aid for Trade disbursements, only surpassed by disbursements allocated to transport and storage of goods.

Clean energy and energy efficiency have emerged as key Aid for Trade priorities over recent years. More than half (approximately US\$ 60 billion) of the Aid for Trade commitments towards energy infrastructure over the period 2011-21 targeted these objectives. Aid for Trade directed to greener energy accounts for 30 per cent of all Aid for Trade allocated to climate-related measures over this same period.

This report contains many examples of Aid for Trade in action i.e., projects, programmes and initiatives that support developing economies' participation in the clean energy transition.

Endnotes

1. According to WTO official document WT/AFT/1 (available from <https://docs.wto.org/>).