Executive summary

Aid for Trade delivers economic benefits for all through investments in infrastructure, trade capacity and the export industries of the future.

Between 2006 and 2022, over 90 bilateral and multilateral donors contributed a cumulative total of US$ 648 billion of funding to promote the integration of developing economies and least-developed countries (LDCs) into the multilateral trading system, unleashing their export potential and strengthening local livelihoods.

The 2024 joint OECD–WTO monitoring and evaluation (M&E) exercise provides an overview of the Aid for Trade Initiative and tracks the effectiveness of development finance flows since the launch of the Initiative, with an evolving focus on environmental and social impacts alongside traditional trade performance metrics. A cornerstone of the Initiative, the biennial M&E exercise garners information based on responses provided by Aid for Trade donors and recipients – referred to as partner countries – in self-assessment questionnaires.

Developing economies and development cooperation partners are committed to trade as a driver of economic growth, poverty reduction and sustainable development.

In a polycrisis world, Aid for Trade offers a springboard for developing economies and LDCs to help them build more resilient, inclusive and sustainable economies through the transformative power of trade. However, in a rapidly changing landscape of global trade and development cooperation, greater efforts are required to help developing economies and LDCs to benefit from emerging trade opportunities from the digital and green transition.

Despite bouncing back from the disruptions caused by the COVID-19 pandemic, developing economies and LDCs continue to face complex and multifaceted challenges. The backdrop of geopolitical tensions, climate change and the evolving nature of trade – marked by rapid growth in digital connectivity and e-commerce – underscores the necessity of a targeted approach to Aid for Trade.

Trade features prominently in the national development strategies of all 110 respondents to the M&E survey questionnaire: the strategies of 94 per cent of partner countries include trade priorities. The responses of developing economies – and in particular LDCs – show that they are looking at trade to support economic growth (95 per cent of responses) and economic diversification (79 per cent of responses).

Responses to the M&E questionnaire from partner countries show that many of the targets set out in national development strategies align with broader development objectives – notably the United Nations Sustainable Development Goals (SDGs). This intersection of trade and development has never been more relevant, as the world navigates a post-pandemic reality fraught with challenges, but also rich in new opportunities.

Renewed international commitments signal a revival in Aid for Trade.

The 2024 M&E exercise reveals a sustained commitment to Aid for Trade, as evidenced by the revival in disbursements and commitments and continued prominence of trade objectives in national development strategies. This engagement reflects a recognition that trade should both be a driver of post-COVID pandemic economic recovery and growth, and deliver inclusive outcomes for women, youth and micro, small and medium-sized enterprises (MSMEs).

Disbursements and commitments for Aid for Trade surged in 2022, surpassing pre-pandemic levels, reflecting a rebound from the disruptions brought by the COVID-19 pandemic. Disbursements reached an all-time high of US$ 51.1 billion in 2022 – a 14 per cent year-on-year increase in real terms. Commitments increased 31 per cent in 2022 to reach a peak of US$ 65 billion.

Aid for Trade financing flows proved agile, resilient and largely aligned with partner country priorities.

Between 2020 and 2022, Aid for Trade disbursements responded quickly to mitigate the effects of trade disruptions and to address emerging challenges, such as financing clean energy transitions and supporting food security. While adapting to the macroeconomic environment, Aid for Trade financing flows maintained a focus on national priorities. Among partner countries, 53 per cent considered Aid for Trade as mostly or completely aligned with national priorities, 34 per cent considered it moderately or somewhat aligned and 6 per cent not aligned. Among donors, 78 per cent considered Aid for Trade mostly or completely aligned with partner country priorities, and 12 per cent somewhat or moderately aligned.

Traditional Aid for Trade sectors such as trade facilitation, agriculture and manufacturing continue to rank high among partner country priorities, while new priorities emerge to support digitalization, services, the green transition, women and youth employment. There is scope to increase support in several areas, including tourism and trade policies and regulations, in light of members' priorities.

For example, results from the M&E exercise indicate that 82 per cent of partner countries have a sectoral objective or target related to tourism, making it the next highest priority sector after agriculture. Total disbursements for tourism were US$ 287 million in 2022, which represented only 0.5 per cent of total Aid for Trade disbursements for that year. At US$ 2.9 billion, manufacturing accounted for 6 per cent of total Aid for Trade disbursements in 2022. Since the launch of the Aid for Trade Initiative, US$ 34.3 billion have been disbursed in this sector, which represents 5 per cent of all disbursements.

Ensuring alignment between the strategies of partner countries and donors is crucial for the effective implementation and assessment of Aid for Trade financing. The 2024 M&E exercise has identified several challenges that could be addressed to enhance the scale and effectiveness of Aid for Trade projects, including: a lack of harmony between project durations and funding cycles; institutional capacity constraints; too narrow a set of financing instruments to support objectives; and discrepancies in understanding recipients' needs and coordination among stakeholders.

Aid for Trade is helping bridge the infrastructure gap, foster connectivity and support clean energy transitions.

In the aftermath of the COVID-19 pandemic, Aid for Trade disbursements to infrastructure development increased by 28 per cent, reaching US$ 27.9 billion in 2022, with a notable increase in disbursements directed towards the transportation and storage sectors. Results from the M&E exercise indicate that 74 per cent of partner countries considered infrastructure development as one of their strategic priorities.

Support to economic infrastructure is also crucial to finance sustainable transitions, for example through support for the expansion of renewable energy technologies. Aid for Trade disbursements targeting energy predominantly financed renewable energy sources in 2022. A total of US$ 4.5 billion was disbursed for renewable energy generation – a 16 per cent real term increase from 2020 levels.

Aid for Trade support to infrastructure can also go a long way to reducing carbon emissions in transportation. In 2022, rail transport received the highest share of Aid for Trade disbursements targeting transportation and storage, with a total of US$ 6.2 billion (+118 per cent from 2020 levels).

Agriculture continues to be vital for developing economies.

Approximately US$ 125 billion, or 18 per cent of all Aid for Trade financing, has been disbursed to the agriculture sector since 2006. By capitalizing on opportunities in agriculture, developing economies can move towards greater economic and export diversification through a transition to more value-added activities.

The expansion of the agriculture sector ranks high as a priority in the national development strategies of 80 per cent of partner country responses. This shift can strengthen their agricultural sectors, contributing to improved food security, expanded employment opportunities and enhanced rural development. Disbursements for agriculture, forestry and fishing proved resilient at US$ 10 billion in 2022 (+10 per cent year on year).

Digital connectivity and e-commerce emerge as a transformative force.

Developing economies are increasingly prioritizing the expansion of the digital economy in their national development strategies: 81 per cent of both partner countries and donors reported it a priority. Aid for Trade disbursements focusing on information and communications technologies have increased by 31 per cent since 2020.

Digitalization not only facilitates more efficient trade operations but also underpins a broader transformation towards a more connected, innovative and competitive global economy. With regard to improving digital connectivity and e-commerce, 46 per cent of responses from partner countries indicated that Aid for Trade was having a measurable positive impact, and 84 per cent noted that it would require continued support. However, the persistent digital divide poses a risk to growth. Without equitable technology access, participation in the burgeoning digital economy will remain limited.

Trade facilitation remains a priority to improve trade efficiency and address some of the trade-related challenges of the digital and green transition.

Aid for Trade has a tangible impact on trade efficiency and competitiveness. Of the partner countries, 91 per cent responded that Aid for Trade support was vital for trade facilitation and 85 per cent indicated that improving border clearance was a key objective in national development strategies.

Progress in implementing the WTO's Agreement on Trade Facilitation and its impacts in reducing trade costs illustrates the benefits of streamlined customs procedures and improved trade efficiency. By minimizing delays and uncertainties associated with border clearance, trade facilitation enhances the efficiency of cross-border trade transactions. However, further efforts are required to maintain momentum and to unlock the benefits from improved trade facilitation across a wide range of sectors, with a focus on the role of digitalization and green customs procedures.

As highlighted by the OECD Trade Facilitation Indicators and the OECD Digital Services Trade Restrictiveness Index, the global regulatory environment for facilitating trade in goods and digitally deliverable services remains dynamic. However, it will be important to enhance support that can help developing economies address the challenges of the digital and green transition. As trade is evolving, trade facilitation policies are not only needed to ensure that transactions are faster and easier, but that trade is also sustainable and resilient.

Inclusivity in Aid for Trade is a priority.

Both partner countries and donors place a strong emphasis on women's economic empowerment and support for MSMEs for economic growth, poverty reduction and job creation. Women's economic empowerment and gender equality was recognized as a priority by 82 per cent of partner country responses and 91 per cent of donors. Aid for Trade commitments from bilateral donors including an objective to promote gender equality grew in 2021-2022, reaching 46 per cent of total Aid for Trade commitments.

MSMEs account for 90 per cent of businesses and more than 50 per cent of employment worldwide. Of partner country responses, 79 per cent indicated that their national development strategies included targets to expand the MSME sector as a priority. Youth employment and skills were also ranked as a priority by 79 per cent of partner countries. In 2022, support for the development of small and medium-sized enterprises amounted to US$ 1.7 billion, which represents 60 per cent of total industry disbursements – a focus that aligns with the high prioritization of MSMEs for partner countries.

Aid for Trade is increasingly expected to help finance climate change mitigation and adaptation.

Developing economies and LDCs view climate change support as an important development priority. Prioritization varies across regions and countries. Of the partner country responses, 77 per cent highlighted climate change mitigation as a key priority. Among developing economies, the response was higher in Latin America and the Caribbean and Oceania. In 2021-2022, average climate-related Aid for Trade commitments from bilateral Development Assistance Committee (DAC) members amounted to US$ 20 billion, which represented 67 per cent of bilateral Aid for Trade commitments for that period.

Against this background, there is a continuing need for Aid for Trade financing, clearly articulated by developing economies: 94 per cent of partner country respondents foresaw future needs for Aid for Trade to support the trade-related aspects of climate change. Among donor respondents, 91 per cent noted that Aid for Trade supports the trade-related aspects of climate change.

Private finance mobilized through official interventions plays a growing role in financing trade-related needs.

Aid for Trade needs are growing in a financially constrained environment. Trade-related other official flows have long played an important role in complementing Aid for Trade flows to support trade objectives in developing economies. In 2022, disbursements in trade-related other official flows increased by 25 per cent, reaching US$ 50 billion – their highest level ever achieved.

Leveraging private-sector instruments can help unlock additional resources. According to OECD data, in 2022, a total of US$ 54 billion was mobilized through official interventions in trade-related sectors, which represents 88 per cent of total resources mobilized through official interventions.

Maintaining a focus on LDCs is essential.

Africa and Asia command the largest share of Aid for Trade disbursements – jointly accounting for 70 per cent in 2022, albeit with divergent trends. Aid for Trade disbursements to Asia increased by 22 per cent to US$ 18.2 billion in 2022. It experienced a surge in disbursements for transportation and storage, which increased by 37 per cent to US$ 8.1 billion.

In 2022, the share of Aid for Trade disbursements to LDCs was 28 per cent and worth US$ 14 billion. LDCs remain a priority, with commitments to double Aid for Trade support by 2031 in line with the target found in the Doha Programme of Action for the Least Developed Countries. However, disbursements have fallen short of this objective, necessitating concerted efforts to bridge the gap and accelerate progress. Ensuring that the right instruments are available to support LDCs and other low-income countries is essential to provide adequate support.

In that regard, the shift towards loans over grants observed in recent years presents challenges. The trend was particularly marked in 2022, with loans driving growth in Aid for Trade disbursements and a widening gap in the share of loans (65 per cent) versus grants (35 per cent).

New priorities in global development cooperation call for a flexible and responsive approach to Aid for Trade.

Akin to other forms of concessional finance, Aid for Trade is increasingly called upon to address new challenges while resources are under stress. The changing dynamics of global development cooperation, particularly the shift towards financing for sustainable development and climate action, has led many respondents to call for a flexible and responsive approach to Aid for Trade.

The increasing focus on climate adaptation and environmental objectives reflects a broader shift in global priorities. Recent calls to build a more inclusive development finance system and unlock additional resources for development create a momentum to enhance the effectiveness of Aid for Trade and chart a course of action for the Initiative in the period after the 2030 Agenda for Sustainable Development.

The 2024 joint OECD–WTO Aid for Trade M&E exercise underscores the role that trade can play in fostering economic growth and sustainable development. Achieving these goals will require a coordinated effort by all developing economies and their financing partners. The Aid for Trade Initiative can help build a more equitable and resilient global trading system, one that meets the needs of all stakeholders while contributing to a sustainable future.