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Aid for Trade

What is Aid for Trade?

Aid for Trade is development assistance provided in support of partner countries' efforts to increase their capacity to trade, in order to foster economic growth. Helping developing countries develop the means to benefit from open global markets is an important part of a long-term strategy for global poverty reduction, alongside debt relief and general development aid.

Aid for Trade has a rather broad scope, encompassing not only assistance to develop trade policies and promote the direct development of trade (so called Trade Related Assistance) but also the elements of the broader growth agenda such as trade related infrastructure and wider support to productive sectors.

It can include building new roads and telecommunication networks, improving ports or customs facilities, helping countries to develop trade strategies, contributing to government budget for implementation of trade reforms, or helping factories meet international health and safety standards.

Key types of Aid for Trade

Trade Related Assistance (TRA) – "narrow" Aid for Trade:

- 1) Trade policy and regulations (e.g. trade policy and planning, trade facilitation, regional trade agreements);
- 2) Trade development (e.g. investment promotion, analysis/institutional support for trade in services, market analysis and development);

"Wider" Aid for Trade:

- 3) Trade-related infrastructure (e.g. physical infrastructure including transport and storage, communications and energy generation and supply; etc.);
- 4) Building productive capacity (e.g. business development, assistance to banking and financial services, agriculture, forestry, fishing, industry, mineral resources and mining, tourism, etc.);
- 5) Trade-related adjustment (e.g. contributions to government budget for implementation of recipients own trade reforms and adjustments to trade policy measures by other countries);
- 6) Other trade-related needs: other trade related support not captured under the categories above.

Strong EU commitment to Aid for Trade agenda

The European Union as a whole has committed to maintaining momentum on Aid for Trade in the economic downturn. Well-targeted and effective funding for trade facilitation, trade-related infrastructure and building supply-side capacity is now more needed than ever to help developing countries to recover quickly.

Each country has the primary responsibility for its development, but the EU has committed to supporting developing countries and continues to respect commitments made on Official Development Assistance (ODA). The EU remains by far the largest contributor to Aid for Trade initiatives worldwide, with commitments of more than EUR 7 billion for both 2006 and 2007. Aid for Trade commitments by the EU have consistently increased over the period 2004-2007. As a share of ODA, Aid for Trade has remained a priority in development cooperation for the EU as a whole, representing approximately one sixth of the total.

The EU has also pledged to commit EUR2 billion annually to Trade Related Assistance by 2010. New figures indicate that this goal was almost met already in 2007, with total commitments from EU Member States of EUR960 million and European Commission funding of EUR1,020 million.

The EU is also the only important donor with an established Aid for Trade Strategy (since October 2007). This is an important tool to channel more and better EU support, and anchor Aid for Trade more firmly into EU development cooperation.

EU Aid for Trade activities in Africa

Africa is receiving the largest share of EU Aid for Trade funds - EUR2.73 billion in 2007.

Support to regional integration is a key priority. Under the 10th European Development Fund (EDF), the European Commission almost doubled the financial commitment for regional integration of ACP countries (compared to the previous period of 2000-2007). It allocated EUR645 million to support the regional integration of the Eastern and Southern Africa and Indian Ocean region, and EUR116 million for the Southern Africa Development Community (SADC). Work is underway to mobilize these funds and projects totalling over EUR250 million have already been identified. In this process it is important that the needs of each region should be articulated together – the joint presentation of the specific needs related to the North-South Corridor being a key milestone in this process.

There is agreement to work with African, Caribbean and Pacific (ACP) countries to set up regional Aid for Trade packages. This has been a major focus in 2008, and will remain so in 2009. The role of the regional packages is to support the ACP countries' regional integration agendas according to their needs and priorities by providing a coordinated and increased EU financial response. This includes support for the implementation of Economic Partnership Agreements agreed or being negotiated between the EU and ACP regions.

For more information on Aid for Trade and other aspects of Trade and Development, see:

http://ec.europa.eu/trade/issues/global/development/index_en.htm