



Trade Fact Sheet *

AID FOR TRADE

September 2009

What is Aid for Trade

"Aid for Trade" (AfT) is development assistance provided in support of partner countries' efforts to develop the basic economic infrastructure and tools they need to expand their trade.

The AfT Initiative came into being at the December 2005 WTO Ministerial Conference of Hong Kong. It is not part of the negotiations under the Doha Development Agenda, but it is complementary to it. The intention behind the AfT Initiative is not to create a new global development fund for trade, but rather to expand financial resources devoted to trade as part of existing development strategies. The focus is on "more and better", not on designing new mechanisms for funding or delivery. Keeping AfT on the political agenda is fundamental to success in mobilizing additional, predictable, sustainable and effective financing.

AfT has a broad scope, encompassing both aid directly helping beneficiaries formulate and implement trade policies and practice ("**Trade Related Assistance**"), and aid supporting developing beneficiaries' wider economic capacity to trade, e.g. invest in infrastructure and productive sectors ("**wider AfT**").

Aid for Trade – 6 different categories

In 2006, the WTO AfT Task Force stated that "*Projects and programmes should be considered as Aid for Trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies*". It specified 6 types of activities:

Trade Related Assistance (TRA):

- 1) **Trade policy and Regulations** - e.g. training, explaining rules and regulations.
- 2) **Trade development** - e.g. investment promotion, analysis/institutional support for trade, market analysis and development.

Wider AfT agenda:

- 3) **Trade-related infrastructure** - physical infrastructure including e.g. transport and storage, communications and energy generation and supply.
- 4) **Building productive capacity** – productive sectors such as agriculture, forestry, fishing, industry, mineral resources and mining (not marked as Trade development).
- 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 identified as such by beneficiaries and not captured under the categories above.

* This fact sheet describes an area of trade policy. It does not in any way replace or interpret the provisions of trade agreements or any legal instruments put in place for the purpose of EU trade policy.

The EU Aid for Trade Strategy

The EU is one of the leading providers of Aid for Trade. On 15 October 2007, the EU Council adopted the **EU AfT Strategy** aimed at supporting developing countries integrate into world trade. **The strategy is a joint EU policy initiative, providing for a double and complementary focus on more resources to AfT and better impact on development objectives**, especially with a view to poverty reduction. The EU AfT Strategy is articulated around five key activities:

- scaling-up total EU AfT in general as well as increasing the specific funding of Trade Related Assistance to reach € 2 billion annually by 2010 (€1 billion from EC, €1 billion from EU MS), as promised by the EU in 2005;
- enhancing the impact and pro-poor focus of EU AfT;
- increasing EU-wide and Member States' donors capacity in line with globally agreed aid effectiveness principles;
- supporting the ACP regional integration process;
- ensuring an effective monitoring and reporting to sustain the process of implementing commitments.

Total AfT commitments of the EU have constantly increased over the period 2004-2007, to reach €7.2 billion in 2007 (€4.74 billion from EU MS and €2.43 billion from the EC).

As regards the specific EU pledge on TRA (i.e. Trade policy and Regulations and Trade development), the collective EU TRA target was very nearly met in 2007. The EC surpassed for the first time its 1 billion TRA target (€ 1.02 billion). EU Member States commitments towards TRA amounted to €960 million. The total EU volumes have reached € 1,980 million, indicating substantial EU progress towards reaching its targets.

EU AfT is delivered as other EU aid, following agreed Aid Effectiveness principles.

This means going through policy dialogue, needs assessments, inclusion of priorities into national and regional development strategies (such as Poverty Reduction Strategy Papers), and formulation of response strategies on this basis. This is the only way to ensure ownership, coherent programmes and sustainability.

Financing Aid for Trade

Since **AfT is a part of overall EC Official Development Assistance (ODA)**, it is financed via the **usual Community instruments** under the regular Community budget and the European Development Fund (EDF). While this development assistance is funded from different instruments and budget chapters, broadly similar principles and procedures apply to turn a financial allocation into a development programme on the ground.

Total ODA allocations (including to Aid for Trade) over the current programming period (2007/08-2013)

- **EDF** – the European Development Fund (African, Caribbean and Pacific countries): 2008 – 2013. €22 682 million for 6 years – not included in Community budget
- **DCI** - the Development Cooperation Instrument (Latin America and Asia including Central Asia): 2007 – 2013: €16.897 billion for 7 years. – Budget line: Title 19 External Relations, Chapters 09 and 10
- **ENPI** – the European Neighbourhood Policy Instrument (Neighbourhood countries and Russia): 2007 – 2013: €11.181 billion for 7 years – Budget line: Title 19 External Relations, Chapter 8
- **IPA** - Pre-accession instrument (the Balkans and Turkey). 2007 – 2013: €11.468 billion for 7 years – Budget line: Title 22 Chapter 02

- The **special budget line for multilateral initiatives** with a global coverage of €4,5 million for the year 2008 - Budget line: Title 20 Chapter 02-03. It should be noted that this budget line covers only a small fraction of overall Community Aid for Trade. Most of the projects financed under this line relate to WTO or WTO-related initiatives, mostly implemented via a contribution to multilateral Trust Funds. The performance of the respective WTO programmes and funds is regularly monitored in the WTO.

REFERENCE DOCUMENTS :

[Making trade work for development](#) (Aid for Trade case studies)

[Aid for Trade Monitoring Report 2009](#)

[EU Joint Aid for Trade Strategy](#)