Trade plays a key role for economic transformation and poverty reduction. The 2030 Agenda for Sustainable Development through the Addis Ababa Action Agenda recognizes trade as an engine for development. Trade expansion can lead to more jobs and higher incomes and export-oriented firms generally have better working conditions. However, several factors constrain people living in poverty from gaining from trade, which is why policies need to be coherent, systems more inclusive and measures put in place to ensure that the benefits of trade are shared more widely, contributing to poverty reduction. Aid for Trade has a key role to play in this regard and in 2020, Sweden contributed SEK 3.7 billion to the international Aid for Trade agenda.

MAIN AREAS OF SUPPORT

Aid for Trade (AfT) seeks to address issues of importance to developing countries’ ability to trade and can broadly be divided in three main categories.

- **Trade Policy and Regulations** – assistance in formulating trade policy, implementing trade agreements as well as supporting regional integration. Sida supports developing countries for instance in participating effectively in the World Trade Organization (WTO) and regional trade agreements.

- **Trade-Related Infrastructure** – includes financing for hard and soft infrastructure needed for trade, such as roads, energy and information and communication technologies. Sida for instance supports connecting rural and marginalized populations to electricity, internet and markets, including in refugee hosting areas.

- **Building Productive Capacity** – includes support for the private sector to utilize trade such as improving the business environment, the public private dialogue and strengthening the markets for supportive services. Sida’s support includes strengthening the financial sector as well as broader market and business development programmes. Within this category, Sida for instance also supports programmes dealing with migration and remittances.

Looking specifically at the area of Trade Policy and Regulations, the Swedish support is channelled multilaterally, regionally as well as bilaterally.

The main areas of Swedish support in 2020 within Trade Policy and Regulations were:

- **Trade Policy and Administrative Management** – includes policy analysis and support to countries in formulating, managing and implementing trade policy. It captures contributions to global facilities such as the World Bank and the Standards and Trade Development Facility.

- **Trade Education and Training** – includes technical assistance and training in trade policy such as regional programmes implemented by the Trade Policy Training Centre in Africa.

- **Trade and Agriculture** – includes support to trade and agricultural programmes such as to the Food and Agricultural Organization (FAO) and the East African Grain Council.

In recent years, other substantial interventions have focused on the area of sanitary and phytosanitary measures (e.g. supporting food safety and producers’ compliance with standards), technical barriers to trade (e.g. supporting the quality infrastructure development for products) and trade facilitation that aims to make border crossings and trading procedures faster, cheaper and more predictable.

THE GLOBAL GOALS

The Global Goals for Sustainable Development include everyone – and we can all contribute. The goals are interdependent and therefore indivisible. Sida’s main contribution is to implement development cooperation, thereby reducing poverty and saving lives. Together we can build a better future where no one is left behind.
DEVELOPMENTS IN THE WORLD

2020 was marked by the COVID-19 pandemic and international trade declined by about 9% in 2020. The downturn mainly took place in the first half of 2020 − with a larger decline for services than for goods − whereas the second half of 2020 saw a recovery in world trade. As governments put in place inevitable pandemic-related restrictions on movement and transportation, coupled with falling demand, uncertainty was added to the world economy. Least Developed Countries (LDCs) remain marginalized in the world economy accounting for around 1% of global trade. The pandemic has been hitting exports in the services sector especially hard in LDCs, including important sectors such as tourism.

While world trade already started to recover in 2020, looking forward, merchandise trade, in particular, is set to further increase by 8% in 2021 according to the WTO. Although the recovery of economies and trade has picked up, it varies widely among regions and many developing countries are particularly vulnerable and risk lagging behind further.

The ripple effects of the pandemic also illustrates how connected the world has become, with around half of world trade consisting of global value chains, meaning more trade in inputs rather than final products. The World Development Report 2020 by the World Bank finds that tapping into these value chains can continue to lead to more and better jobs and poverty reduction, although regional value chains can be as relevant in many of Sida’s partner countries. Services trade, e-commerce and digitalization creates both winners and losers − not least in light of the pandemic − but development cooperation can help bridge the gap.

SIDA’S SUPPORT

The latest EU Aid for Trade Monitoring Report placed Sweden as the fifth largest contributor to Aid for Trade among the member states. Mozambique, Kenya and Somalia constitute the biggest bilateral partner countries in 2020. Within regional programmes, support to Sub-Saharan Africa, Eastern Europe and Western Balkans as well as the Middle East and North Africa (MENA) all comprise significant shares.

Sida’s trade-related support in sub-Saharan Africa has for instance contributed to the improvement of the movement of goods across the continent and trade policy capacity building. The support to the MENA region as well as to Eastern Europe and the Western Balkans has contributed to strengthened conditions for Micro, Small and Medium sized enterprises and female businesses. On a global level, Sida has for instance worked with multilateral partners to ensure that poverty reduction, gender equality and environment & climate aspects are at the heart of trade-related interventions.

IS AID FOR TRADE EFFECTIVE?

The OECD and WTO have been closely monitoring results in Aid for Trade. In the 2019 Aid for Trade at a Glance publication, they conclude that Aid for Trade is effective according to a broad range of empirical studies. For example Kimm Gnangnon (2018)\(^1\), Aid for Trade and Employment in Developing Countries: An Empirical Evidence, LABOUR, CEIS, vol. 33(1), p. 77-100, March.


concluded that the effects of Aid for Trade on employment are positive for both men and women, especially in LDCs, and according to Durowah (2017)\(^2\), Aid for Trade has a significant and positive effect on poverty reduction.

2 Durowah, Olivia (2017), The Role of Aid for Trade and Foreign Direct Investment in Poverty Reduction: A Panel Data Analysis of 91 Developing Countries, South Dakota State University.