



Trade

An engine for development

Trade plays a key role for economic development and poverty reduction. The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda recognise trade as an engine for inclusive growth. Trade expansion can lead to more jobs and higher incomes, and export-oriented firms generally provide better working conditions. However, several factors constrain people living in poverty from participating in and benefiting from trade. Policies therefore need to be coherent, systems more inclusive and measures put in place to ensure that the gains of trade are shared more widely and contribute to poverty reduction and sustainable development. Aid for Trade has a key role to play in this regard and in 2023, Sweden contributed SEK 4 billion to the international Aid for Trade agenda.



DEVELOPMENT IN THE WORLD

During recent years, global trade has been shaped by a combination of adverse factors, collectively referred to as a “poly-crisis”. These include a series of supply and demand shocks related to the COVID-19 pandemic, supply chain disruptions, and the impacts of increased trade policy uncertainty driven by conflict and geopolitical tensions. In 2023, international trade experienced a remarkable slow-down, with trade in goods declining by 1.2 percent, and only commercial services trade growing by 9 percent.¹ Use of trade restrictive measures has risen dramatically in 2023. Global value chains are restructuring and reorienting in response to these changes and to broader geopolitical tensions. Prospects for developing countries are particularly concerning, in particular least developed countries (LDCs) that have limited resources to deal with global economic shocks.² In the light of these challenges, a trade-sceptic narrative has gained traction, suggesting that international trade is an obstacle to building a more secure and sustainable world. Despite the backlash, rules-based international trade remains crucial to reduce poverty and meet the goals of the 2030 Agenda. The WTO annual trade report calls for “re-globalisation” as an alternative to ongoing fragmentation allowing to extend trade integration to more people, economies and issues.³

¹ WTO [2024], Global Trade Outlook and Statistics, April 2024.

² UNCTAD [2023], Trade and Development Report 2023, UN Geneva.

³ WTO [2023], World Trade Report 2023 — Re-globalization for a secure, inclusive and sustainable future.

MAIN AREAS OF SUPPORT

Sida works with trade in line with the Aid for Trade (AfT) agenda, which seeks to address issues of importance to developing countries and their ability to participate in and benefit from trade. AfT can broadly be divided into three main categories.

Trade Policy and Regulations: includes assistance in formulating trade policy, negotiating and implementing trade agreements as well as supporting regional integration. For example, through Enhanced Integrated Framework (EIF), Sida supports the capacity of the Least Developed Countries to formulate and implement trade policy. In terms of regional trade integration, through trapca, Tralac, and EU AfCFTA Technical Assistance Facility (TAF), Sida contributes to progress on the African Continental Free Trade Agreement, and its domestication in African countries.

Economic Infrastructure: includes financing for hard and soft infrastructure necessary for trade, such as roads, energy networks as well as information and communication technologies. Sida supports trade-related infrastructure for instance by connecting rural and marginalized populations to electricity, internet and markets. Here, Sida’s guarantee instrument is crucial to mobilise additional resources for necessary investments.

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.



Results

Building Productive Capacity: includes support for the private sector to participate in trade for example through improving their production methods, business environment and public private dialogue, and by strengthening the markets for support services. Sida's support includes strengthening the financial sector as well as broader market and business development programmes.

SIDA'S SUPPORT

Sweden's total AfT payments in 2023 amounted to just under SEK 4 billion (approximately 10 percent of Sida's total payments), which constitutes an increase of 15 percent compared to 2022. This breaks the multi-year downward trend with AfT support. The category of building productive capacity continues to be the largest (62 percent) in 2023, followed by economic infrastructure (34 percent) and trade policy and regulations (4 percent).

The largest part of Sida's AfT support went, as in previous years, to Africa, which received SEK 1,850 million (50 percent), followed by payments under global thematic strategies that are geographically unspecified (SEK 581 million), and Europe (SEK 569 million).

Sida's support to trade policy focused, during 2023, on addressing some of the most pertaining obstacles to the integration of developing countries in the international trading system, as well as new focus areas where challenges can be turned into opportunities.

One of the key areas of Sida's engagement is **trade facilitation**. During 2023, Sida continued this work harnessing the potential of digitalisation. For example, the World Bank's Trade Facilitation Support Program has helped countries take important steps in the implementation of the WTO Agreement on Trade Facilitation through digitalisation and simplification of customs procedures, reducing the cost of trade for businesses and reducing waiting times. The benefits of **digitalisation** were also used when the Standard and Trade Development Facility (STDF) supported the development of electronic certificates for plants and plant products, and created access for low-income countries through the global ePhyto scheme. The ePhyto system helped to improve trade flows, reduce costs and limit the number of fraudulent certificates. According to the OECD, e-certification could increase the total value of exports for selected agri-food product groups by between 17-32 percent over a two-year period.

Making trade and value chain participation contingent on fulfilling **sustainability** requirements has become a norm in the EU. This poses a risk of hindering market access for producers from developing countries. During 2023, Sida intensified efforts to promote just green transition in our partner countries and strengthen their capacity to fulfil sustainability obligations, for example through participation in the Team Europe Initiative for Sustainable Global Value Chains. Moreover, Sida continues its support to the International Trade Centre that created an online platform – ITC Standards Map – which comprises more than 300 sustainability standards. It facilitates the adoption of sustainability standards by SMEs and helps them connect to other firms in their sectoral value chains.

FIGURE 1. SIDA'S AID FOR TRADE BY CATEGORY, 2019-2023 (MILLION SEK)

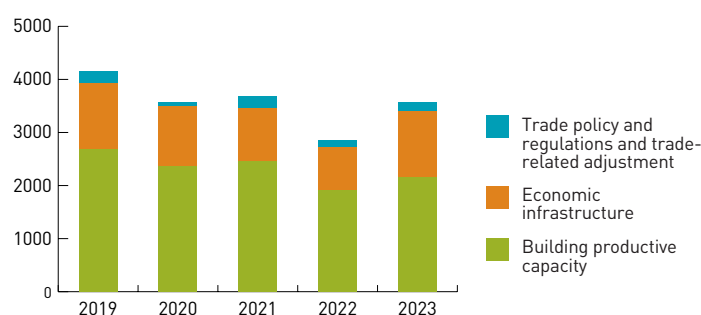
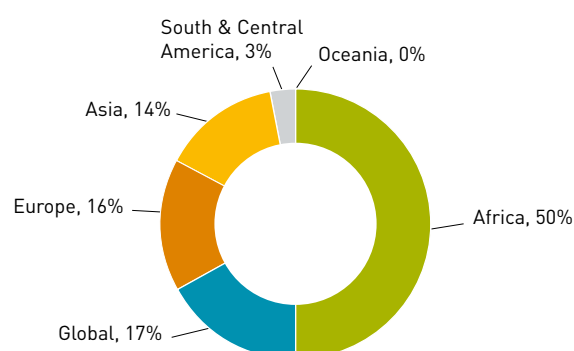


FIGURE 2. SIDA'S AID FOR TRADE DISBURSEMENTS IN 2023 BY REGION



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