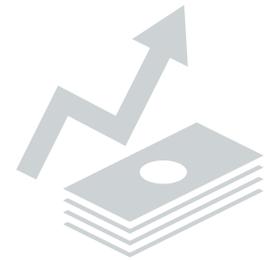


Trade plays a key role for economic transformation and poverty alleviation, and the 2030 Agenda for Sustainable Development recognizes trade as an engine for development. However, several factors constrain people living in poverty from gaining from trade, which is why policies need to be coherent and measures put in place to ensure that the benefits of trade are shared more widely and that the risks are addressed. In 2019, Sweden contributed 4.1bn SEK to the international Aid for Trade agenda and supports partner countries in their efforts to use trade as a means for development.



MAIN AREAS OF SUPPORT

Aid for Trade (Aft) seeks to address issues of importance to developing countries' ability to export and import and can be broadly divided in three main categories.

- **Trade Policy and Regulation** – assistance in formulating trade policy, implementing trade agreements as well as encouraging regional integration. Sida supports developing countries in participating effectively in the World Trade Organization (WTO), regional negotiations, strengthening regulatory cooperation and trade facilitation.
- **Trade-Related Infrastructure** – technical assistance and financing for hard and soft infrastructure needed for inclusion in trade, such as roads, energy information and communication technologies. Sida works especially towards connecting rural and marginalized populations to electricity, the internet and markets.
- **Building Productive Capacity** – support for the private sector in being able to utilize trade. This can include improving the business environment and the public-private dialogue, strengthening the markets for supportive services, such as financial services, as well as business development and export promotion.

Looking specifically at the area of trade policy and regulation, The Swedish support is channelled through multi lateral, regional as well as bilateral channels.

The main areas of Swedish support in 2019 within trade policy and regulation were:

- **Trade Policy and Administrative Management** – This 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 Enhanced Integrated Framework (EIF).
- **Trade Facilitation** – This work aims to make border crossings and trading procedures speedier, safer and more predictable. It includes programmes implemented by the World Customs Organization (WCO) and interventions linked to the implementation of the WTO Trade Facilitation Agreement (TFA).
- **Trade and Environment** – This includes support to mutually supporting trade and climate policies in East Africa, work to improve the transparency and compliance of voluntary sustainability standards, and more.

In recent years, other substantial interventions have focused on primarily improving partner countries' infrastructure for sanitary and phytosanitary (SPS) measures (e.g. supporting food safety and producers' compliance with standards) and intellectual property rights, as well as supporting Small and Medium Sized Enterprises in gaining international market access.

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

DEVELOPMENTS IN THE WORLD

World merchandise trade volume fell by 0.1% in 2019, due to trade tensions and slowing economic growth, after having grown by 3% in the previous year. The Least Developed Countries (LDCs) remain marginalized in the world economy at less than 1% of global merchandise exports.

Looking forward, trade in 2020 is set to plummet by between 13 and 32%, due to the Covid-19 pandemic. As governments put in place inevitable restrictions on movement and transportation, coupled with falling demand, some sectors will be hit especially hard, such as services trade and those deeply integrated in global value chains (GVCs). Moreover, falling commodity prices may have negative effects for social service expenditures in Sida's partner countries dependent on such exports. Trade restrictions on medicines and food risk exacerbating the situation.

The ripple effects of the pandemic also illustrates how connected the world has become, with around half of world trade consisting of GVCs, meaning more trade in inputs rather than final products. The World Bank Group's World Development Report 2020 finds that tapping into these chains can continue lead to better jobs and poverty reduction, although regional value chains might be at least as relevant in many of Sida's partner countries. The growth of services trade, e-commerce and digitalization creates both winners and losers but development cooperation can help bridge the gap.

SIDA'S SUPPORT

The EU Aid for Trade Monitoring Report 2019 placed Sweden as the fifth largest contributor to Aid for Trade among the member states. Tanzania, Zambia and Mozambique constitute the biggest bilateral partner countries. Within regional programmes, support to Sub-Saharan Africa, the Middle East and North Africa (MENA) as well as Eastern Europe and Western Balkans all comprise significant shares.

IS AID FOR TRADE EFFECTIVE?

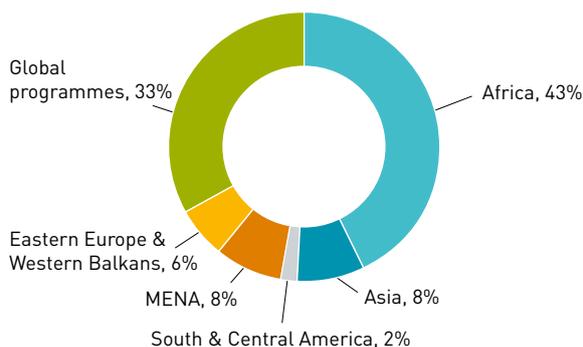
Since the launch of the Aid for Trade Initiative in 2005, the OECD and WTO have been closely monitoring its results. In the 2019 Aid for Trade at a Glance publication, they conclude that "Aid for Trade is found to be effective both at micro and macro levels according to a broad range of empirical studies." For example, OECD (2013) found that

Sida's trade-related support in sub-Saharan Africa has contributed to the improvement of the movement of goods across the continent, safer and easier border crossing for women traders and trade policy capacity building. The support to the MENA region as well as to Eastern Europe and the Western Balkans has strengthened policy areas such as standardization and food safety and has encouraged regional integration. On a global level, Sida has worked with multilateral partners to ensure that poverty reduction, gender and environment & climate aspects are at the heart of trade-related interventions.

SWEDISH AID FOR TRADE BY CATEGORY, 2015-2019 (MILLION SEK)



SWEDISH AID FOR TRADE DISBURSEMENTS IN 2019 BY REGION



one dollar extra invested in Aid for Trade generates nearly twenty dollars of exports for LDCs. Kimm Gnanngnon (2018) concluded that the effects on employment are positive for both men and women, especially in LDCs, and according to Durowah (2017), Aid for Trade has a significant and positive effect on poverty reduction.