

Executive summary

Over the past 20 years, the global trading landscape has seen a profound transformation.

Development cooperation has also seen important shifts, most recently in the form of deep cuts in official development assistance (ODA). Despite challenging times, trade support remains a key area of development cooperation. The Aid for Trade initiative, launched in 2006 to help developing economies improve their capacity to trade, has provided critical resources in helping these economies adapt to economic and policy priorities. Yet, current trade and development challenges require renewed impetus on trade capacity building.

As the impacts of government spending cuts are still unravelling, this report takes stock of 20 years of trade development support and examines recent trends affecting trade and development cooperation. It outlines how the foundations of the Aid for Trade initiative built over the past 20 years can inform the future direction of trade support in a markedly different trade and development context.

Since 2006, Aid for Trade has helped strengthen trade capacities and create economic opportunities. Between 2006 and 2024, US\$ 795 billion was disbursed to help developing economies participate more fully in global trade. Africa was the largest recipient (38 per cent), followed by Asia (35 per cent). Least-developed countries (LDCs) received 28 per cent of total financing, with small and vulnerable economies accounting for 5.8 per cent. Empirical research over the past two decades suggests that Aid for Trade has had positive effects on boosting recipient economies' exports.

Support for trade policy-making and improving regulatory capacity has contributed to increasing developing economies' participation

in the work of the World Trade Organization (WTO).

The African Group, the Group of African, Caribbean and Pacific States and the LDC Group have become increasingly prominent and influential voices within WTO committees and trade negotiations. This can be seen in the more than 200 proposals they submitted for discussion between 2006 and 2025. Their increasing engagement has helped ensure WTO rules and practices respond more effectively to their needs. For example, the WTO's Trade Facilitation Agreement, which entered into force in 2017, allows developing economies and LDCs additional time to implement certain provisions, and links their future obligations to the provision of technical assistance and capacity-building support. In addition, the entry into force of the WTO's Agreement on Fisheries Subsidies in 2025 was accompanied by the creation of a fund to provide technical and financial support to developing economies and LDCs to help them implement obligations and bolster fisheries management capabilities.

In 20 years, developing economies have substantially increased their participation in global trade, but this progress has been uneven.

Their share of global merchandise exports rose from 38 per cent in 2006 to 48 per cent in 2024. Their share of global services exports also increased, from 25 per cent to 33 per cent. LDCs' participation has, however, remained broadly unchanged: their shares of global merchandise and services exports have remained at around 1 per cent and 0.5 per cent, respectively.

Trends in global trade are altering the capacities economies need to trade.

The rapid digitalization of economic activity, the growing importance of environmental objectives, and changes in supply chains due to geopolitical pressures and heightened attention to resilience present significant opportunities for developing economies. But seizing these opportunities demands digital connectivity and skills, enabling

regulatory frameworks, and the ability to meet and prove compliance with regulatory standards and other technical requirements. In the future, Aid for Trade will therefore need to extend its reach beyond the traditional focus on addressing border and infrastructure constraints.

Development finance is undergoing profound transformations. ODA, of which Aid for Trade is a component, fell by 8.5 per cent in 2024 and by around 23 per cent in 2025, with further reductions expected in 2026. Aid for Trade proved relatively resilient in 2024, as higher disbursements from multilateral development banks offset cuts from bilateral providers. Total disbursements reached US\$ 51 billion in 2024, up 2 per cent from 2023. The outlook is nevertheless uncertain. Bilateral Aid for Trade could fall by around 22 per cent between 2024 and 2026 if current sectoral allocations are maintained, and continued pressure on ODA budgets could also affect future multilateral flows. At the same time, recent development cooperation strategies point to renewed attention to jobs, infrastructure and economic transformation – and to trade, which is deeply connected to all three.

Looking ahead, pressures on ODA budgets increase the importance of targeting scarce concessional resources effectively. Possible priorities for future activity include supporting trade policy-making and regulation, which accounted for only around 3 per cent of Aid for Trade disbursements in 2024, despite growing demands linked to regulatory standards and increasingly complex policy environments. Likewise, even after a 60 per cent increase in disbursements over the past five years, support for information and communications technology accounted for only around 3 per cent of the total support. Targeting also means tailoring support to country-specific constraints. Assessments of Aid for Trade indicate the value of sustained and comprehensive approaches that combine infrastructure, technical

assistance and capacity building. Greater collaboration among multilateral development banks, bilateral agencies and private actors can help bring these elements together.

Pressures on public support reinforce the importance of mobilizing additional resources for trade, including from the private sector.

Private finance mobilized in trade-related sectors is rising, reaching US\$ 68 billion in 2024. But financing flows tend to be highly targeted. In 2024, 74 per cent of mobilized private finance went to middle-income countries, and only 6 per cent to LDCs. Mobilization remains challenging in sectors that are not commercially attractive, such as trade policy-making. Aid for Trade needs to foster a framework for combining different forms of concessional and non-concessional finance and sequencing this financing while maintaining a focus on country-centred priorities and on delivering development outcomes, good-quality employment, higher wages and productivity gains.

Twenty years of development cooperation can serve as a platform on which to build new trade and development partnerships that meet developing economies' evolving needs and priorities. Trade, investment and development cooperation are becoming increasingly interconnected. Developing economies are playing a growing role as traders, investors and providers of South-South cooperation. Traditional providers of financing are drawing on a wider range of financial instruments and placing greater emphasis on mutually beneficial partnerships. Public and private finance are also being combined in innovative ways. The experience, expertise and channels for dialogue built over the past 20 years can help form effective partnerships in the future tailored to helping developing economies better use trade to drive growth, job creation and development.