Executive summary

The 2022 Aid for Trade Monitoring and Evaluation (M&E) exercise takes place amidst crises of unprecedented magnitude, significantly affecting trade and investment. The COVID-19 pandemic has caused severe human and economic losses, slowing down and in some cases reversing hard won progress towards the Sustainable Development Goals (SDGs). Countries lacking the capacity to implement large monetary and fiscal stimuli were hit hard, experiencing widening inequalities. While 2021 showed signs of a swift recovery, in early 2022 Russia's war against Ukraine created a major humanitarian crisis and derailed economic growth prospects. Spikes in the price of energy and food caused by the war, combined with rapidly rising inflation, are posing serious food security risks in low-income countries (LICs).

International trade and investment are at the epicentre of these crises. International supply chains were put under stress by the pandemic and the measures implemented to contain it. Global trade fell by 10% between 2019 and 2020, with severe impacts in sectors such as travel (-63%) and transport (-18%) which are key for many developing countries. Global supply chains however proved agile and resilient overall, playing a key role in the fight against the pandemic, supporting the economic recovery, and enabling access to medical goods and food. Already in the third quarter of 2020, the rebound in merchandise trade bolstered the economic recovery, benefitting countries heavily involved in global supply chains, notably in pharmaceuticals, medical supplies and information technology.

Against this backdrop, the value of Aid for Trade was re-affirmed as a tool to mitigate the impact of the crisis. Responses to the joint OECD-WTO M&E questionnaires, analysed in the WTO 2022 Aid for Trade Global Review report published alongside this report, indicate a rise in the perceived importance of Aid for Trade, for both developing countries and donors. These findings are reflected in the analysis of the financing flows: Aid for Trade disbursements increased during the pandemic, reaching an all-time high of USD 48.7 billion in 2020. Furthermore, several new Aid for Trade projects were launched to specifically address COVID-19-related challenges. In 2020, a total of USD 4.7 billion, representing 7% of Aid for Trade commitments was allocated to COVID-19 related activities.

Since the start of the Aid for Trade initiative, donors have disbursed USD 556 billion in official development assistance (ODA), providing stable and predictable support to crucial sectors and activities. This support is concentrated: with the top ten Aid for Trade donors contributing 84% of disbursements in 2020. Projects prioritise building productive capacity and economic infrastructure, which jointly accounted for 98% of disbursements in 2020. Support to building productive capacity increased by 17% in 2020, driven by increases in disbursements targeting banking and financial services (+39%) and agriculture (+13%) – two sectors that also received important shares of COVID-19 related support (50% and 18% of COVID-19-related commitments, respectively).

In addition to providing countercyclical support, Aid for Trade also supported essential sectors of the COVID-19 response. For example, allocations to pharmaceutical production increased by seven times between 2018 and 2019, increasing by another 24% in 2020. More broadly, various studies have demonstrated the effectiveness of Aid for Trade in attracting productive investment and supporting economic diversification, which are key components of a stable recovery underpinned by resilient global supply chains.

While the world returned to a positive growth trajectory, some countries went on divergent paths. The COVID-19 crisis has set back convergence progress between developed and developing countries by a decade or more, exacerbating challenges faced by vulnerable groups, including women and youth. The pandemic has also paused, or reversed, progress in the integration of developing countries, especially least-developed countries (LDCs), in the global trading system. Aid for Trade can help by channelling support to countries and populations most in need. In 2020, Africa received the largest share of Aid for Trade disbursements (38%), followed by Asia (35%), America (10%), Europe (6%) and Oceania (1%). This reaffirms the focus on integrating African countries in international trade, at a time when the continent experienced, on average, the most severe fall both in merchandise trade (-17% of export value) and services trade (-33%).

Evidence also points to Aid for Trade as an important source of finance for LDCs, other LICs and lower middle-income countries (LMICs). Together, they represent 66% of total disbursements in 2020, against 14% for upper middle-income economies (UMICs) and 20% for regional or uncategorised projects. This share has however decreased by five percentage points since 2019. Furthermore, Aid for Trade tends to become less concessional, with a grants-to-loans ratio steadily decreasing since the early days of the initiative. This worrying trend could add to the significant debt sustainability challenge faced by the poorest countries.

Aid for Trade can also help address emerging challenges, such as the environmental and digital transitions. Responses to the 2022 Aid for Trade M&E exercise suggest a shift towards sustainability considerations, including climate and gender equality. The analysis of flows confirms this trend and points to the potential of Aid for Trade to further support progress towards the SDGs. Recent methodologies developed by the OECD show that Aid for Trade contributes to all SDGs, beyond purely trade-related Goals.

This new emphasis is partly due to growing demands embodied in international commitments, notably the Paris Agreement. In 2020, 51% of Aid for Trade commitments included climate-related objectives, representing 56% of total climate-related ODA commitments in 2020. LDCs and other LICs are the primary beneficiaries, accounting for 37% of total climate-related commitments made in Aid for Trade sectors.

Countries are also facing the challenge of keeping up with the faster pace of digital transformation. Aid for Trade can help mend the digital divide and harness the potential of digital trade for development. Despite an important increase since 2018 in Aid for Trade commitments for information and communication technologies (+32%), overall financing flows remain modest, at approximately 2% of total Aid for Trade commitments and 1% of total disbursements. More support to trade policy and regulation could also help address challenges impeding the participation of developing countries in digital trade.

The COVID-19 crisis has made it more difficult for women to participate in international trade. Tackling the obstacles they face is essential to closing gender gaps and supporting an inclusive recovery. In 2020, 42% of Aid for Trade commitments from bilateral donors included a focus on gender, a share that has steadily increased in the last 10 years. Ensuring that projects target sectors where women work and lead businesses, and respond to their main challenges, is key to maximising the impact of Aid for Trade support for gender equality. Equally, monitoring outcomes is essential.

In conclusion, the recent crises have reaffirmed the importance of Aid for Trade to support economic resilience and to preserve global commons such as health, environment or food security. In recent years, Aid for Trade has focused on mainstreaming the achievement of the SDGs into the promotion of trade and investment, bringing together public and private actors behind common goals and the promotion of sustainability. This calls for a renewed ambition for the global initiative and individual Aid for Trade strategies to expand their scope and better articulate trade-capacity building with other sustainability promotion efforts. Future M&E exercises will be key to monitoring Aid for Trade's contribution to advancing the SDGs and the 2030 Agenda at large, as well as examining the impact of Aid for Trade projects.