Implications of LDCs graduation for Aid for Trade

Practice perspectives

European Commission
DG International Partnerships

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1. EU and its Member States Aid for Trade

- In 2007, adoption of EU’s AfT Strategy in response to the WTO-led AfT Initiative

- In 2017, updated EU and Member States Joint AfT Strategy:
  
  • Reduce fragmentation, scale-up impact using all EU external policies instruments, including the External Investment Plan, Trade Agreements, Trade schemes (GSP, EBA);
  
  • more differentiated approach to countries, increased focus on LDCs: “Increase the proportion of EU and Member States’ aid for trade directed towards Least Developed Countries with a vision to progressively achieve one fourth of total EU aid for trade by 2030”
1. EU and its Member States Aid for Trade

- The EU AfT Progress Report 2020 (2018 data)

30% of global AfT in 2018 from EU and its Member States
2. EU Aid for Trade towards LDCs

• The EU AfT Progress Report 2020

22% of AfT commitments from EU and its Member States in 2018 to LDCs (EUR 2.99 billion)
2. EU Aid for Trade towards LDCs….

…but not because they are LDCs!

**Top 12 recipient countries in 2018**

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<tr>
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<th>Country</th>
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<td>1.</td>
<td>Turkey</td>
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<td>2.</td>
<td>Syria</td>
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<td>3.</td>
<td>West Bank and Gaza Strip</td>
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<td>4.</td>
<td>Ethiopia</td>
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<td>5.</td>
<td>Myanmar</td>
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<td>6.</td>
<td>Bangladesh</td>
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<td>Mali</td>
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<td>Afghanistan</td>
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<td>9.</td>
<td>Serbia</td>
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<td>Tunisia</td>
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<td>11.</td>
<td>Ukraine</td>
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<td>12.</td>
<td>Central African Republic</td>
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2. EU Aid for Trade towards LDCs

EIF – Enhanced Integrated Framework

- **Only** AfT programme specifically dedicated to LDCs
- EU and its Member States account for 45% of its donors’ commitments
- Countries remain eligible for EIF assistance for 5 years following graduation:
  - institutional support
  - analytical support (Diagnostic Trade Integration Study)
  - productive capacity support
3. Covid-19 response in the EU Aid for Trade

The EU AfT Progress Report 2021

- Under preparation

- Special focus on EU Team Europe response to Covid-19 through AfT

  • Disruption of supply chains and drop in demand
  • Decrease in commodities’ prices these economies highly depend on
  • Total halt to the tourism sector and slow down in manufacturing sector
  • The pandemic has hit the most vulnerable the hardest
3. Covid-19 response in the EU Aid for Trade

Reorientation of on-going Programmes

• Addressing **social and economic consequences** in ongoing programmes

• **Trade facilitation** more relevant than ever (e.g. TFSP)

• **EU Budget Support**:

  • **COVID-19 response** - EUR 1,83 bn disbursed to over 80 partner countries in 2020 (i.e. 95% of total Budget Support payments in 2020)

  • Virtually all LDCs covered

  • Programmes redesigned to support partner countries’ efforts to face the COVID-19 crisis: transformation of variable tranches into fixed tranches, frontloading of planned disbursements, top-up to existing programmes
3. Covid-19 response in the EU and its Member States’ Aid for Trade

Team Europe Initiatives (TEIs)

• The EU, its Member States (incl. their finance institutions and implementing agencies), EIB and EBRD: overall **EUR 37bn** in commitments

• **184 TEIs** proposed so far* - at least one third in AfT

*each TEI can affect more than one thematic sector
4. Examples of EU Aid for Trade

**Bhutan**: EU-Bhutan Trade support project

Support to private companies with training on costing and pricing of handicraft textile products and export market perspectives.

Handmade textiles is one of the main source of income for women and young people in the country

- **Budget**: 4 M EUR over 3 years

Support provided in the framework of the EU-Bhutan bilateral programme
4. Examples of EU Aid for Trade

**Somalia**: Study on Roadmap for DFI investments in Somalia

- **Objective**: identify obstacles and constraints to DFI investment in Somalia, in connection with the External Investment Plan (EIP) - role of private sector!

Study conducted in the framework of the TPSD (Trade and Private Sector Development) facility managed in INTPA E2
4. Examples of EU Aid for Trade

Support provided in the framework of the Tradecom II programme managed in INTPA E2
4. Examples of EU Aid for Trade

**Madagascar**

Twinning Programme: « Appui à la mise en conformité des produits Agricoles et Agroalimentaires de Madagascar aux nouvelles exigences réglementaires de l’Union Européenne en matière SPS »

- **Budget**: EUR 2 000 000 (EDF)

- **Beneficiary**: Ministère de l’Agriculture, de l’Elevage et de la Pêche

- **Status**: under preparation
5. What’s next? Programming MFF 2021-2027 (NDICI)
5. Programming MFF 2021-2027 (NDICI)

As opposed to MFF 2014 - 2020
5. Programming MFF 2021-2027 (NDICI)

• **Geographic approach** preferred – each country is at the core of the programming effort / Thematic programmes complementary

• **Bottom-up: EU Delegations** conduct consultations in the field and draft Multi-annual Indicative Programmes (MIPs).

• Integration of **Team Europe Initiatives** with strong transformative impact in MIPs. Examples of mature TEIs to be developed further:
  
  • Angola: “Green and resilient economy” - sustainable, diversified and inclusive economic growth and job creation.
  
  • Afghanistan: “Sustainable Jobs for Peace”
  
  • Bangladesh: “Decent Work”
Thank You!