
International Centre for Trade and Sustainable Development

Submission to the Open Working Group on Sustainable Development Goals

Aid for Trade in the Global Partnership for Sustainable Development

Trade is a crucial component of sustainable development. According to UNCTAD, “[t]rade remains the most reliable and productive way of integrating into the global economy and of supporting the efforts of poorer countries to become less aid dependent.”¹ Aid for trade is an increasingly important part of the international development landscape. Broadly, the concept refers to international assistance that is used to increase a country’s ability to participate in international trade.

The UN Technical Support Team Issues Brief regarding Means of Implementation and Global Partnership for achieving sustainable development identifies the need for capacity building through international efforts, in particular “aid for trade, which targets developing countries’ ability to sustainably improve their productive capacity with investments in trade related areas coming from ODA.”² This underlines the important role that aid for trade could play as part of the post-2015 development agenda, and the need to ensure that aid for trade funding provided is adequate, additional and as effective as possible.

ICTSD has conducted a series of research projects assessing the effectiveness of aid for trade at country level. While the experience of the various countries is quite mixed, overall the main findings of those studies are relatively consistent with what has emerged from the more general aid effectiveness literature. In short, Aid for Trade (Aft) is likely to be effective when the recipient country has the appropriate institutions and human resources to utilize aid; when the aid program enjoys broad local ownership, including political ownership; and when donor objectives are aligned with local priorities. It is also crucial that Aft flows are additional and predictable.

This research has several implications. Aid for Trade projects must address local capacity constraints and institutional weaknesses in their very design, and, more generally, the initiative should tackle problems related to additionality and misalignment. As the donor community calls for Aid for Trade to deliver results, it must share responsibility with partner countries to see to it that Aft brings value for money.

ICTSD research has also looked at how Aft could support more sustainable production processes, including as a complement to climate change financing where adaptation and mitigation projects have an impact on trade. Adapting to climate change is a necessity, particularly for LDCs and other small and vulnerable countries. Climate change-induced water stress, for example, can adversely affect agricultural yield, leading to a fall in exports. Adaptation measures, such as building irrigation infrastructure and promoting the production of drought-resistant crops, aimed at sustaining production and exports could be supported by trade-related financing. This would exemplify the integration of the economic, environmental and social dimensions of sustainable development.

ICTSD’s Aid for Trade research programme and publications can be accessed here: <http://ictsd.org/programmes/a4t/>. For more information on our work and access to our research publications, please visit our website: www.ictsd.ch.

¹ UNCTAD (2013) ‘Trade and development and the global partnership beyond 2015’ UN System Task Team on the Post-2015 UN Development Agenda Thematic Think Piece. United Nations Conference on Trade and Development, Geneva p.3.

² ‘TST Issues Brief: Means of Implementation, Global Partnership for achieving sustainable development’ p6.