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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Achieving Prosperity through Trade and Investment  
Updating the 2007 Joint EU Strategy on Aid for Trade**

# ACHIEVING PROSPERITY THROUGH TRADE AND INVESTMENT

## UPDATING THE 2007 JOINT EU STRATEGY ON AID FOR TRADE

### 1 INTRODUCTION

Aid for trade is assistance provided to support partner countries' efforts to develop economic capacities and expand their trade as leverage for growth and poverty reduction. Since the World Trade Organisation (WTO) launched the concept in 2005, it has become a well-established workstream in development cooperation to support developing countries in reaping the benefits of trade. It covers a wide range of areas including trade policy-making, trade-related regulations and standards, economic infrastructure (e.g. energy, transport, telecom) and productive capacity building in export-oriented sectors such as agriculture, fisheries and manufacturing.<sup>1</sup>

In response to the WTO, the EU formulated its Strategy on Aid for Trade<sup>2</sup> 'Enhancing EU support for trade-related needs in developing countries' in 2007 as a joint response from the EU and its Member States to help developing countries and particularly Least Developed Countries (LDCs) integrate into the rules-based global trading system and use trade more effectively to boost growth and reduce poverty.

Ten years later, economic realities have evolved significantly with a rise of increasingly complex global value chains. The political context has equally changed fundamentally both globally – in particular with the 2030 Agenda for Sustainable Development<sup>3</sup> – and at EU level with the Global Strategy for the EU's Foreign and Security Policy<sup>4</sup>, the new European Consensus on Development<sup>5</sup>, and the Trade for All Strategy<sup>6</sup>.

The purpose of this Communication is to update the existing Aid for Trade strategy in light of these developments. It proposes a results-driven and integrated approach to aid and investment for trade, making the most of the wide range of EU policy tools available in order to increase their overall impact on growth and poverty reduction. The focus is on creating more and better jobs and on countries in the greatest need, in particular LDCs.

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<sup>1</sup> The aid for trade scope includes nearly 100 OECD Development Assistance Committee (DAC) purpose codes, a 5-digit code used for recording information on the purpose (sector of destination) of individual aid activities. Purpose codes identify the specific area of the recipient's economic or social structure the transfer is intended to foster. (<http://www.oecd.org/dac/aft/aid-for-tradestatisticalqueries.htm>).

<sup>2</sup> Council Conclusions 14470/07 ([http://trade.ec.europa.eu/doclib/docs/2008/november/tradoc\\_141470.pdf](http://trade.ec.europa.eu/doclib/docs/2008/november/tradoc_141470.pdf)); COM(2007)163 final.

<sup>3</sup> Resolution adopted by the General Assembly on 25 September 2015: Transforming our world: the 2030 Agenda for Sustainable Development (<https://sustainabledevelopment.un.org/post2015/transformingourworld>).

<sup>4</sup> [http://europa.eu/globalstrategy/sites/globalstrategy/files/eugs\\_review\\_web.pdf](http://europa.eu/globalstrategy/sites/globalstrategy/files/eugs_review_web.pdf)

<sup>5</sup> COM(2016) 740 final.

<sup>6</sup> COM(2015) 497 final 'Trade for all – Towards a more responsible trade and investment policy'; see also the progress report on its implementation – COM(2017) 491 final.

## 2 EU AID FOR TRADE DURING THE LAST 10 YEARS

Looking back at the last ten years, the EU and its Member States have established themselves as the world's largest provider of aid for trade, supplying a third of its total global amount.<sup>7</sup> Overall, the EU's aid for trade commitments increased by over 85% between 2007 and 2015, reaching EUR 96.79 billion. In 2015 alone, commitments amounted to a record EUR 13.16 billion. An important element of the aid for trade concept is the Trade Related Assistance<sup>8</sup> (TRA) whose target of EUR 2 billion was achieved in 2008, two years ahead of schedule. By 2015, the annual figure had reached a substantial EUR 2.8 billion, bringing the total amount provided over the 2007-2015 period to EUR 21.5 billion. 37% of this total was allocated to African, Caribbean and Pacific (ACP) countries. Support to LDCs remained stable in absolute terms, reaching nearly EUR 18 billion over the 2007-2015 period (19% of total EU aid for trade), while decreasing in relative terms as the EU's total aid for trade expanded.

On the qualitative side, the EU's Trade Related Assistance achieved significant results in most priority areas. In LDCs and fragile contexts, the assistance often managed to stabilise or even expand trade volumes.<sup>9</sup> EU aid for trade has also achieved positive results through broader regional or thematic multiannual initiatives such as EU support to ACP capacities to integrate in the multilateral trading system and to prepare for Economic Partnership Agreements.<sup>10</sup>

At the same time, aid for trade had only limited success in promoting and diversifying trade for the poorest countries and in fragile situations. Despite substantial support and tariff free access to the EU market for almost all their products<sup>11</sup>, LDCs and countries in situations of fragility have remained on the margins of the world economy.<sup>12</sup> LDCs' manufacturing share of 12% in 2015 was still well below the developing countries average of 20%. LDCs' trade deficit in goods and services has massively increased between 2006 and 2015, from USD 7.3 to 104.2 billion and the LDC share of world exports in 2015 was still less than 1%, while they represent 12.8% of global population.

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<sup>7</sup> EUR 253 billion global aid for trade over the 2007-2014 period (EU 33%, Japan 19%, US 10%). Source: annual EU aid for trade monitoring reports.

<sup>8</sup> TRA corresponds to core trade issues and includes the following categories of OECD DAC purpose codes: Trade Policy and Regulation (331xx, except 33150) and Trade Development (240xx, 25010, 311xx, 312xx, 313xx, 321xx, 322xx, 323xx, 33210, all with a Trade Development Marker).

<sup>9</sup> Strategic Evaluation of EU Trade Related Assistance to Third Countries, based on a sample of 23 countries and five regional organisations. [https://ec.europa.eu/europeaid/strategic-evaluation-eu-trade-related-assistance-third-countries-2004-2010\\_en](https://ec.europa.eu/europeaid/strategic-evaluation-eu-trade-related-assistance-third-countries-2004-2010_en).

<sup>10</sup> Final evaluation of key ACP EU trade assistance programmes (2015) including: 'Integration to the Multilateral Trading System and Support to the Integrated Framework', 'All ACP Institutional Trade Capacity Building Facility (Trade.Com)', Capacity Building in Support of the Preparation of Economic Partnership Agreements'. [https://europa.eu/capacity4dev/public-priv\\_sector-trade-regio\\_int/document/trade-assistance-through-multiple-partnerships-findings-evaluation-three-eu-funded-trade-as](https://europa.eu/capacity4dev/public-priv_sector-trade-regio_int/document/trade-assistance-through-multiple-partnerships-findings-evaluation-three-eu-funded-trade-as)

<sup>11</sup> EU is the most important export market for LDC goods, with 25.1% share of LDC world exports in 2016, up from 21.4% in 2007. (Source: EUROSTAT – IMF (13.10.2017)). Still, the LDCs' share of all EU imports remained low, though growing: 2.16% of all EU imports in 2016, as compared to 1.44% in 2007. (Source: EUROSTAT – Comext (13.10.2017))

<sup>12</sup> The Least Developed Countries Report 2016, UNCTAD ([http://unctad.org/en/PublicationsLibrary/ldc2016\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ldc2016_en.pdf))

### 3 A CHANGING WORLD ECONOMY AND POLICY CONTEXT

Globalisation of economic activities is not a new phenomenon, but drivers and trends of globalisation are changing fast.<sup>13</sup>

One key current trend is the rise of global and regional value chains, with international production networks based increasingly on inter-firm and intra-firm trade. There is a growing importance of services in international trade and digitalisation is shaping the global economy in new ways, many of which are yet to be uncovered. A major challenge however is that many developing countries' participation in global value chains and digitalisation has continued to remain marginal. Industrialisation, productivity and diversification of many developing countries' economies remain limited as they continue to be dependent on low-wage labour, commodity exports and low-end primary production. This calls for considerable reforms and investments that official financial flows alone will not be able to meet.

The policy context has also changed. The **Addis Ababa Action Agenda**<sup>14</sup> adopted in 2015 addresses the necessary means for delivering the **2030 Agenda for Sustainable Development** agreed shortly after. They emphasise the importance of international trade and private sector investment as means of implementation alongside Official Development Assistance (ODA). The 2030 Agenda, establishes the new and universal development paradigm for the years to come, based on the integration and interdependence of all 17 Sustainable Development Goals (SDGs) and 169 targets around the three dimensions of sustainable development: economic, social and environmental.

The **Paris Agreement on Climate Change**<sup>15</sup> requires structural changes to production and trading systems so that a new low-carbon and climate-resilient economy is created that can adapt to and mitigate climate change. The circular economy transition generates new innovation and economic opportunities that developing countries should further seize.

This changing context is reflected in two fundamental EU policy initiatives. The first, the **Global Strategy of the EU's Foreign and Security Policy**, calls for a responsive and joined-up EU, by making the most of the wide range of policy instruments at its disposal, among which development and trade tools are prominent.

Second, the **new European Consensus on Development**<sup>16</sup> incorporates the 2030 Agenda paradigm shift into EU development cooperation policy. It focuses on poverty reduction in line with the principles of effective development cooperation. It calls for seeking synergies across policies; greater coordination and coherence among EU actors and instruments; and the promotion of trade and responsible investment in developing countries in support of

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<sup>13</sup> Reflection Paper on Harnessing Globalisation, European Commission, COM(2017) 240 of 10 May 2017.

<sup>14</sup> Outcome document adopted at the Third International Conference on Financing for Development (Addis Ababa, Ethiopia, July 2015), endorsed by UN General Assembly in resolution 69/313 of 27 July 2015.

<sup>15</sup> Outcome of the Paris climate conference (COP21) as entered into force on 4 November 2016.

<sup>16</sup> [https://ec.europa.eu/europeaid/sites/devco/files/european-consensus-on-development-final-20170626\\_en.pdf](https://ec.europa.eu/europeaid/sites/devco/files/european-consensus-on-development-final-20170626_en.pdf).

sustainable development, following up on orientations set by the Trade, Growth and Development Communication<sup>17</sup> and updated by the 2015 **Trade for All** communication.

Two important aspects stem from this renewed policy context. First, Official Development Assistance resources should be targeted where the need is greatest, especially Least Developed Countries and in situations of fragility. Second, the focus is shifting towards using Official Development Assistance more strategically as a catalyst<sup>18</sup> to mobilise other public and private financial flows, such as those under the EU's new **External Investment Plan** (EIP). Looking ahead, more public and private investment will become an integral part of EU support to trade and productive capacity needs.

#### **4 A COHERENT AND IMPACTFUL WAY FORWARD**

Against the changing economic and political context, it is time to revise the EU's aid for trade. The ambition must be to support partner countries in their efforts to make progress on the SDGs and achieve sustainable prosperity through increase trade and investment. This requires the following fundamental changes compared to today's practices:

- i. Reduce current fragmentation and increase leverage of aid for trade through better informed and coordinated delivery.
- ii. Scale up EU aid for trade impact by ensuring full coherence with and making the most of instruments across EU external policies, in particular the new External Investment Plan, trade agreements and trade schemes.
- iii. Stronger focus on the social and environmental dimensions of sustainability, together with inclusive economic growth.
- iv. Better differentiation of countries with increased focus to Least Developed Countries and situations of fragility.
- v. Improved monitoring and reporting.

##### **4.1 Reducing fragmentation, increasing leverage**

Current spending of EU's aid for trade happens in too decentralised and fragmented manner. In 2015 for example, the EUR 13.6 billion of EU's aid for trade represented a third of EU total ODA and were channelled through some 3,000 financing decisions matching nearly 90 OECD-DAC purpose codes. This made it challenging to ensure optimal coherence and effectiveness.<sup>19</sup>

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<sup>17</sup> COM(2012) 22 final 'Trade, growth and development – Tailoring trade and investment policy for those countries most in need.

<sup>18</sup> European Report on Development (2015): Combining finance and policies to implement a transformative post-2015 development agenda (ODI, ECDPM, GDI/DIE, University of Athens and the Southern Voice Network).

<sup>19</sup> From 2012 to 2017, over 250 projects addressed economic governance and investment climate reforms in Sub-Saharan Africa. In future, coherence will be ensured among others through the EIP integrated approach.

For this reason, it is important to **better combine the vast array of development finance tools** (bilateral, regional, thematic, etc.) and aid modalities (technical assistance, grants, budget support, twinning, blending, etc.) both at EU and Member State level. This should be complemented by the lending activities of international and European development finance institutions in developing countries in order to provide more integrated and sizeable responses to partner countries' trade and productive capacity needs.

If the EU is to be successful in contributing significantly to the achievement of the SDGs, it must focus more on catalysing private investment. The External Investment Plan (EIP) which covers Africa and the European Neighbourhood will follow an integrated approach. It will deploy innovative risk-sharing mechanisms with a new European Fund for Sustainable Development, including a guarantee for capital mobilisation, combined with technical assistance and the improvement of investment climate reforms.

In line and within the partner countries' and regions' own development strategies, **synergies will be sought proactively with EU trade agreements and schemes**. These have become an important driver of the EU's relationship with developing countries.<sup>20</sup> They offer market access opportunities that local Small and Medium-Sized Enterprises (SMEs) are eager to seize. They provide incentives for reform that development cooperation can further build on. EU Aid for trade will thus help promote a positive implementation dynamic of the agreements from the outset, and contribute to turning them into a success. EU aid for trade will be used to enhance the development potential of other EU policies as well.

#### **Actions:**

- Reinforce operational linkages across all EU development cooperation instruments and tools, including country and regional programmes and European Development Finance Institutions operations, at both EU and Member States' levels.
- Closely link EU budget support<sup>21</sup> to investment climate reforms when mobilising private capital in developing countries through innovative risk-sharing mechanisms.<sup>22</sup>
- Use the institutional monitoring mechanisms established by EU free trade agreements as an additional means to identify relevant aid for trade activities.<sup>23</sup>

<sup>20</sup> Developing countries eligible for EU development cooperation are either signatories of trade agreements with the EU or beneficiaries of the EU Generalised Scheme of Preferences.

<sup>21</sup> Budget support helps developing countries' domestic resource mobilisation efforts, increases transparency and accountability, improves public investment policies and their implementation as well as the investment climate and business environment.

<sup>22</sup> The cornerstone of this effort will be the new EIP, in Africa and European Neighbourhood countries. Blended finance coupled with appropriate policy and regulatory reforms (Pillar 3 on Investment climate) provide an integrated approach that is also valid in other parts of the developing world.

<sup>23</sup> EU free trade agreements establish sectoral Sub-Committees where both signatories discuss implementation progress in areas such as technical barriers to trade, trade and sustainable development, sanitary and phytosanitary matters, and customs and trade facilitation. Information generated by these Sub-Committees can help pinpoint needs that can be addressed through aid for trade.



- Include in EU free trade agreement implementation plans, targeted measures to help developing partner countries make better use of the opportunities offered by EU trade agreements.
- Assess regularly the rate of preferences utilisation by partners of trade agreements and beneficiary countries of the Generalised Scheme of Preferences, and analyse the limiting factors, from both domestic supply-side<sup>24</sup> and EU trade regime<sup>25</sup> perspectives. Direct EU aid for trade towards better addressing such constraints and, where relevant, assess the need to take them into account in the evolution of trade measures.

## 4.2 Increasing relevance

Directing EU aid for trade more effectively requires a systematic use of available trade and investment diagnostics. An **evidence-based** approach will allow for a sound understanding of value chains and downstream markets to have a more informed policy dialogue with partner countries' governments, leading to enhanced design and impact of projects.

Mechanisms for genuine **stakeholder engagement** will be established. Structured dialogue with the **private sector** is needed to pinpoint reforms in the business and trading environment that facilitate investment and job creation. **Civil society and social partners** have a key role to play in upholding priorities such as creating jobs for the young people, economic empowerment of women, decent work and environmental standards. Research and innovation actors are instrumental in promoting investment and job creation. Within their jurisdiction, **local authorities** also have a strong impact on the enabling environment for business and decent work, and in the efficiency and governance of local agencies responsible for administering regulation.

In addition to the guidance obtained through evidence-based and stakeholder engagement approaches, there are broader trends and issues to consider in certain fields.

**Value chains** are a driver to help developing countries integrate better into regional and global trade. EU aid for trade will be focused more strategically in helping partner countries develop and move-up value chains.<sup>26</sup>

**Quality infrastructure** is an important area for EU aid for trade to address supply-side constraints and non-tariff barriers. It encompasses the regulatory and operational aspects of standardisation, accreditation, conformity assessment and market surveillance. Capacity building of regulators and competent authorities, food safety systems and laboratory equipment, as well as technical assistance to producers and SMEs in complying with **technical regulations**, private standards, food safety and **sanitary and phytosanitary**

<sup>24</sup> Infrastructure, policies, productive capacities, compliance with standards, etc.

<sup>25</sup> Tariffs, rules of origin, quotas, sanitary and phytosanitary matters, etc.

<sup>26</sup> Since 2008, making good use of aid for trade in the sector, Côte d'Ivoire and Ghana have been moving beyond the export of raw cocoa beans to cocoa products that have been processed locally. Exports to the EU of chocolate, cocoa butter, cocoa paste and cocoa powder were multiplied by 2.5 in Côte d'Ivoire and 4.5 in Ghana within less than 8 years.



measures are effective enablers of trade and investment when approached in a market-driven manner.

**Digitalisation** is an enabling factor for accessing external markets and for integration into global value chains. Digital innovation has already demonstrated its potential to offer solutions to local problems, reduce trade costs and offer new business opportunities.<sup>27</sup> Technological trends help innovative SMEs enter the market. EU aid for trade will encourage investment in digital technologies and services, computerisation, e-Government and e-commerce logistics, as well as on technical assistance for governments to establish policies and favourable frameworks to cross-border e-commerce.

**Trade facilitation** has gained further prominence with the entry into force of the Trade Facilitation Agreement, the most significant multilateral trade deal concluded since the WTO was established in 1995. The EU and its Member States have committed to mobilising at least EUR 400 million in trade facilitation assistance over a five-year period from its entry into force, including for projects improving developing countries' customs systems. EU aid for trade will prioritise those Trade Facilitation Agreement provisions notified as category 'C'.<sup>28</sup>

In general, EU aid for trade will remain flexible so it can incorporate the development cooperation implications of WTO topics relating to both existing negotiations and commitments, including the Least Developed Countries services waiver, as well as to new topics as they appear.

**Actions:**

- Identify and support value chains with potential for value addition<sup>29</sup> through more systematic use of trade and investment diagnostics and market intelligence tools by EU Delegations and Member States' agencies in the field, to guide EU policy dialogue and EU aid for trade delivery.
- Conduct a genuine dialogue and engagement with the private sector in order to identify and prioritise investment climate constraints.<sup>30</sup>
- Use information from EU control systems evaluating third countries exports compliance with EU standards, as a valuable source in addressing supply-side constraints,

<sup>27</sup> Commission SWD(2017)157 'Digital4Development: mainstreaming digital technologies and services into EU Development Policy'.

<sup>28</sup> Category C notifications contain provisions that a developing country or LDC designates for implementation on a date after a transition period and requiring the acquisition of implementation capacity through the provision and assistance of capacity building (source: WTO).

<sup>29</sup> For example coffee, cocoa, and cotton value chains, where downstream investment is needed to generate added value.

<sup>30</sup> For example, the Sustainable Business for Africa (SB4A) platform under the EIP, and building on networks of EU Business Groups/Chambers of Commerce.

identifying areas of improvement and corrective actions where EU aid for trade can be mobilised.<sup>31</sup>

- Strengthen the engagement with civil society and local authorities to better inform aid for trade delivery including through the Domestic Advisory Groups<sup>32</sup> (DAG) established by new generation of EU free trade agreements, EU country roadmaps for engagement with civil society and equivalent engagement formats with local authorities, and Economic Partnership Agreements.

#### 4.3 Progress on Human Rights and Sustainable Development

Gender equality is not only a fundamental human right, it is also crucial for economic development. Economies granting better opportunities for women have a higher potential for growth and competitiveness. EU aid for trade will help fulfilling the EU's renewed and expanded commitment on gender equality and, in particular, **women's economic empowerment**.<sup>33</sup>

Inclusiveness will be at the heart of EU aid for trade as a result of the EU's **rights-based approach** in development cooperation, which also promotes participation, non-discrimination, equality and equity, transparency and accountability.<sup>34</sup> This will entail improved analysis of the impact of trade and investment initiatives on human rights.

EU aid for trade will take due account of the four pillars of the **Decent Work Agenda** (standards and rights at work, employment creation and enterprise development, social protection and social dialogue).<sup>35</sup> It will build on the broadened possibilities offered by 'new generation' EU FTAs to support labour rights and the Decent Work Agenda, through the binding social and environmental provisions contained in the **Trade and Sustainable Development** chapters.<sup>36</sup>

Environmental sustainability will also be at the heart of aid for trade. **Climate finance and the green and circular economy** offer developing countries leapfrogging opportunities in trade, growth and employment and will enhance societal and ecological resilience. EU aid for trade will be used to help developing countries' transition to low carbon and climate change resilient economies.

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<sup>31</sup> An example is the Rapid Alert System for Food and Feed (RASFF) through which rejections of food and feed consignments at the external borders of the EU are notified when these have been tested and a health risk has been detected.

<sup>32</sup> Civil society consultation mechanism

<sup>33</sup> For example, by promoting women's economic empowerment through access to finance, advisory services, women's business networks and digital enablers for social and financial inclusion.

<sup>34</sup> SWD(2014)152 'Toolbox on a rights-based approach, encompassing all human rights for EU development'

<sup>35</sup> <http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

<sup>36</sup> These include adherence to key international labour and environmental standards and agreements, the sustainable use of natural resources and the promotion of corporate social responsibility, responsible management of supply chains, sustainability assurance schemes (e.g. eco-labelling) and fair and ethical trade initiatives.

**Sustainability as part of companies' core strategies**, promotion of **fair and ethical trade and responsible business practices** – including in relation to sustainable value chains – in line with the UN Guiding Principles on Business and Human Rights, will make a strong contribution towards the 2030 Agenda.<sup>37</sup>

**Actions:**

- Systematic gender analysis of every aid for trade project in order to promote women economic empowerment.<sup>38</sup>
- Adequately connect EU support to social and environmental objectives, aid for trade, the chapters on trade and sustainable development of the new generation of EU free trade agreements, the Environmental Goods Agreement<sup>39</sup>, and international principles and guidelines on responsible business conduct.<sup>40</sup>
- Promote social and environmental sustainability along value chains through integrated and multistakeholder approaches.<sup>41</sup>
- Support fair and ethical trade in partner countries, such as through a more targeted approach on commodities.

#### 4.4 Country differentiation

EU aid for trade interventions need to be better tailored to different country contexts. This will help identify the determining factors and best triggers for sustainable development, and the best possible sequencing of reforms in order to target EU support accordingly.

A greater proportion of EU aid for trade will be channelled to **Least Developed Countries** to help achieve the SDG target of doubling their share of global exports.<sup>42</sup> Increasing Least Developed Countries' exports to the EU market requires scaled-up aid and private investment based on analysis of supply-side constraints and needs.<sup>43</sup>

<sup>37</sup> An example of EU support to fair trade supply chain development was EU's contribution to sustainable development through fair trade interventions in the cotton sector in India, Nepal and Sri Lanka. Trade linkages between local SMEs with EU fair trade players were established, generating nearly EUR 2 million worth of fair trade cotton, benefitting nearly 1000 farmers organised under 175 producer groups.

<sup>38</sup> SWD(2015) 182 final. Joint Staff Working Document: "Gender Equality and Women's Empowerment: Transforming the Lives of Girls and Women through EU External Relations 2016-2020". In particular, the objectives on access to decent work for women of all ages and equal access to financial services, productive resources including land, trade and entrepreneurship.

<sup>39</sup> Currently under negotiation among several WTO members.

<sup>40</sup> These principles and guidelines include the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the UN Global Compact and the UN Guiding Principles on Business and Human Rights and international standards on responsible investments and responsible business conduct.

<sup>41</sup> Such as in garment, timber, extractive industries, and others where risks are particularly high.

<sup>42</sup> AAAAA §90 and SDG Targets 8.a and 17.11.

<sup>43</sup> Industrialisation in Africa and Least Developed Countries, a Report to the G20 Development Working Group by UNIDO, 2016.

**Conflict and fragility** are major drivers of migration. Supporting resilience, inclusive and sustainable growth and decent jobs in situations of conflict and fragility is essential and will require careful prioritisation of interventions. Support to food security, basic needs and emergency job creation programmes should remain priorities.<sup>44</sup> EU aid for trade should also help build resilience and lay the foundations for sustainable economic development, while boosting infrastructure and labour intensive sectors and interventions.

The EU's more differentiated aid for trade approach will also apply to **more advanced developing countries** which have graduated from EU bilateral cooperation since 2014.<sup>45</sup> Cooperation with such countries will be steered to areas of mutual interest, including free trade agreements negotiations and the integration of emerging economies into world markets, as well as cooperation with EU Neighbourhood countries through jointly identified partnership priorities.

#### **Actions:**

- Increase the proportion of EU and Member States' aid for trade directed towards Least Developed Countries with a vision to progressively achieve one fourth<sup>46</sup> of total EU aid for trade by 2030.
- In situations of fragility and conflict, carefully sequence and prioritise stabilising and quick-win interventions by applying a fragility lens and 'do no harm' principle.<sup>47</sup>
- Expand engagement with more advanced developing countries including through South-South and triangular cooperation, and in areas of mutual interest (e.g. regional integration, regional value-chains, trade facilitation and exchange of best practice).

#### **4.5 More comprehensive monitoring and reporting**

Existing means of analysing and showcasing the impact of EU aid for trade interventions will be improved, and reporting will be made more qualitative and results-driven with a reduced time-lag between aid for trade commitments and reporting of actions. In particular, linking the EU aid for trade performance indicators to those of related instruments such as the External Investment Plan or trade agreements will provide a greater sense of its overall impact.

Information systems and tools<sup>48</sup> are being modernised so as to allow a better collection, analysis and dissemination of lessons learned in line with the EU International Cooperation

<sup>44</sup> Reference Document No 17 – Operating in situations of conflict and fragility – An EU Staff Handbook, December 2014. <https://europa.eu/capacity4dev/public-fragility/document/operating-situations-crisis-and-fragility-eu-staff-handbook>.

<sup>45</sup> Under the Development Cooperation Instrument, these countries still continue to benefit from development cooperation at regional level.

<sup>46</sup> Baseline: 18% in average from 2010 to 2015. Source: EU Aid for Trade Monitoring report 2017.

<sup>47</sup> Not to undermine protection, nor exacerbate existing inequalities and consider both the intended and unintended consequences of aid for trade interventions.

<sup>48</sup> The progressive rolling out of a new operational system of the Commission is expected to start in 2018.

and Development Results Framework.<sup>49</sup> This will also increase the ease and efficiency of producing country-specific and trade-related breakdowns of relevant recent activities which can inform and support policy dialogue and new aid for trade interventions.

The EU will continue to support processes that aim to acknowledge the increasing role of other financing flows beyond Official Development Assistance, in order to capture the EU's wider contribution to the trade, investment and productive capacities of partner countries catalysed by its Official Development Assistance.

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<sup>49</sup> SWD(2015) 80 final.