

Aid for Trade

Aid for Trade
World Vision Australia's
Public Policy Position

World Vision Australia's position on aid for trade¹

Aid for trade must build the productive capacity of people living in poverty

World Vision Australia values the contribution international trade can make to poverty reduction in developing countries. World Vision Australia supports aid for trade initiatives that equip developing countries with the right policies, capacity and infrastructure to enable trade with local and international markets, and facilitate economic development and poverty reduction.² Given aid for trade initiatives represent close to 30 per cent of all global aid flows, it is vital that aid for trade interventions effectively contribute to poverty reduction and inclusive growth.³

While initiatives that improve the trade policy environment and economic infrastructure of developing countries are important, World Vision Australia considers that equal priority must be given to initiatives which build the productive capacity of people living in poverty.

Moreover, aid for trade programming is less effective when marginalised and vulnerable groups are unable to participate in economic activity.⁴

World Vision Australia welcomes the Australian Government's ongoing commitment to aid for trade investments that provide 'opportunities for job creation, increased incomes and improved livelihoods for the poor.'⁵ In order to achieve these goals, Australia's aid for trade investments must ensure that increased trade and investment is accompanied by development outcomes for people living in poverty.

World Vision Australia welcomes the Australian Government's focus on women's economic empowerment within its aid for trade strategy; women in developing countries are disproportionately likely to face barriers to economic activity.⁶

World Vision's mandate to advocate for aid for trade

World Vision Australia has substantial experience developing and implementing aid for trade⁷ initiatives in developing communities across the world. The organisation has expertise building the productive capacity of people living in poverty, and linking them to markets. World Vision Australia has developed and implemented over 100 local value chain development projects across the world in southern and eastern Africa, south east Asia, the Pacific, Middle East and eastern Europe.⁸

The organisation also works in more catalytic ways with the market system, working with existing private sector actors to shape the way the market works so it becomes more inclusive of poorer smallholder farmers. The World Vision partnership is also a member of Grow Asia, an initiative of the World Economic Forum and Association of Southeast Asian Nations (ASEAN), which seeks to facilitate collaboration between stakeholders to enable inclusive and sustainable agricultural development in South East Asia.

World Vision Australia's policy recommendations for change

World Vision Australia calls on the Australian Government to address the barriers preventing people living in poverty – particularly small-holder farmers and producers, and micro, small and medium enterprises – from accessing local, regional and international markets.

World Vision Australia calls on the Australian Government to:

- I. Prioritise aid for trade initiatives that build the productive capacity of smallholder producers and farmers, and micro, small and medium enterprises. In particular:
 - a) expand access to financing for small farmers and businesspeople to enable them to expand their businesses and invest in technology that increases their productivity;
 - b) invest in local value chain initiatives that improve access to markets for people living in poverty;
 - c) invest in education and training programs which aim to improve the skills and employment prospects of marginalised groups;
 - d) invest in initiatives such as savings groups and training services that prioritise the economic empowerment of women, particularly women smallholders and entrepreneurs; and
 - e) invest in pro-poor infrastructure that enables small producers and businesses to reach markets.

Background

Aid for trade represents a third of all global aid flows

Aid for trade has become an increasingly prominent priority for development efforts around the world. Though definitions abound, it is generally understood that Aid for Trade seeks to enable developing countries exploit the benefits from liberalized trade and increased market access. More precisely, the WTO defines Aid for Trade as being 'about helping developing countries, in particular the least developed, to build the trade capacity and infrastructure they need to benefit from trade opening.'⁹

Aid for trade programs are commonly categorised under three broad headings:¹⁰

- **trade policy and regulations:** Improve trade policies and regulations in developing countries to facilitate trade and investment, and build capacity of governments to negotiate and implement trade agreements.
- **economic infrastructure:** Increase investment in roads, ports, telecommunications and energy networks to improve access to regional and global markets.
- **private sector development :** Improve the productive capacity, productivity and resources available to the local private sector to increase opportunities for trade with other countries.

In 2005, the World Trade Organisation(WTO) launched the Aid For Trade Initiative, encouraging donors and governments to help developing countries improve their trade prospects. Since its launch, donors have disbursed more than USD400 billion in aid for trade initiatives, with significant increases expected in the future.¹¹ The UN Sustainable Development Goals and its sister agreement, the Addis Ababa Action Agenda, also emphasise trade as 'an engine for inclusive economic growth and poverty reduction,' and critical to achieving development objectives.¹²

The Australian Government has made aid for trade a cornerstone of Australia's aid policy. The first strategic priority of the aid program is to increase Australia's aid for trade investments to 20 per cent of the aid budget by 2020.¹³ The Government's *Strategy for Australia's Aid for Trade Investments* identifies three key priority areas for Australia's aid for trade investments which mirror the three headings listed above.¹⁴

Key resources & references

Key resources

Organisation for Economic Co-operation and Development(OECD), '*Aid for trade at a glance 2015: reducing trade costs for inclusive, sustainable growth*', available at: <https://www.oecd.org/aidfortrade/AFT%20pocket%20June%202015%20FINAL.pdf>

Department of Foreign Affairs and Trade (DFAT), '*Strategy for Australia's aid for trade investments: Supporting developing countries to trade and prosper*', available at: <https://dfat.gov.au/about-us/publications/Documents/strategy-for-australias-aid-for-trade-investments.pdf>

World Trade Organisation (WTO), '*Aid for Trade Initiative 2015*', 2015, available at: <https://dfat.gov.au/about-us/publications/Documents/strategy-for-australias-aid-for-trade-investments.pdf>

Organisation for Economic Co-operation and Development (OECD), '*Promoting effective aid for trade*', available at: <http://www.oecd.org/trade/aft/promotingeffectiveaidfortrade.htm>

Organisation for Economic Co-operation and Development (OECD), '*Aid for trade 10 years on: Keeping it effective*', available at: <http://www.oecd.org/trade/OECD-WTO-AFT-10-years-on.pdf>

References

¹ Note this position has taken account of the World Vision International (WVI) position on aid for trade: World Vision is a child-focused organisation, committed to improving the lives of children. World Vision International recognises the importance of international trade and its potential to lift millions of people – including children – out of poverty. World Vision International believes that action must be taken to ensure trade policies, including aid for trade initiatives, prioritise outcomes for people living in poverty. World Vision International, '*Trade for Development: Making the WTO work for the poor*', 1991, available at: <http://users.monash.edu.au/~bparis/Paris%201999%20Trade%20for%20Development.pdf>

² World Vision Australia, '*Aid for Trade*', available at: <https://www.worldvision.com.au/get-involved/advocacy/australian-aid/aid-for-trade>

³ World Trade Organisation, Factsheet on Aid for Trade, available at: https://www.wto.org/english/tratop_e/devel_e/a4t_e/a4t_factsheet_e.htm

⁴ Organisation for Economic Co-operation and Development (OECD), '*Aid for Trade at a Glance 2015*', available at: <http://www.oecd.org/dac/aft/aid-for-trade-at-a-glance-22234411.htm>

⁵ Department of Foreign Affairs and Trade(DFAT), '*Strategy for Australia's aid for trade initiatives*', 2015, available at: <https://dfat.gov.au/about-us/publications/Documents/strategy-for-australias-aid-for-trade-investments.pdf>

⁶ Organisation for Economic Co-operation and Development(OECD), '*Women's Economic Empowerment*', available at: <https://www.oecd.org/dac/povertyreduction/50157530.pdf>

⁷ World Vision Australia, '*Aid for Trade*', available at: <https://www.worldvision.com.au/get-involved/advocacy/australian-aid/aid-for-trade>

⁸ See, World Vision Australia, '*Social Entrepreneurship and Economic Development (SEED) Unit*', available at: <https://www.worldvision.com.au/get-involved/partner-with-us/seed>

⁹ See definition by World Trade Organisation (WTO), available here: https://www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm and Development

Policy Centre, 'Understanding Aid for Trade', available at: <http://devpolicy.org/understanding-aid-for-trade-part-one-a-dummys-guide-20140228/>

¹⁰ These three categories are used by the WTO, the Australian Government and the Organisation for Economic Co-operation and Development (OECD).

¹¹ Lammersen, F. and M. Roberts, "Aid for trade 10 years on: Keeping it effective", *OECD Development Policy Papers, 2015*", available at: <http://www.oecd.org/trade/OECD-WTO-AFT-10-years-on.pdf>

¹² United Nations Conference on Trade and Development, available at: <http://unctad.org/en/Pages/DITC/Trade-Analysis/TAB-Trade-and-SDGs.aspx>

¹³ Department of Foreign Affairs and Trade(DFAT), 'Strategy for Australia's aid for trade initiatives', 2015, available at: <https://dfat.gov.au/about-us/publications/Documents/strategy-for-australias-aid-for-trade-investments.pdf>

¹⁴ Department of Foreign Affairs and Trade(DFAT), 'Strategy for Australia's aid for trade initiatives', 2015, available at: <https://dfat.gov.au/about-us/publications/Documents/strategy-for-australias-aid-for-trade-investments.pdf>