SPECIAL REPORT 17/2025 EN

EU aid for trade to least developed countries

– Needs are being tackled, but EU funding is not on track to meet 2030 target

EUROPEAN COURT OF AUDITORS

Contents

01

Main messages

Why this area is important

01 In developing countries, trade, and especially cross-border trade, is important for growth which can lift millions of people out of poverty. But these countries, and the least developed countries (LDCs) in particular, have to address significant challenges that affect their ability to benefit from regional and global trade.

02 LDCs are not a homogenous group, and while some may have things in common, their situation and conditions vary significantly. Some are politically fragile or affected by conflict, landlocked or have low productive capacities. Some prioritise agricultural production in order to achieve food security, while others seek to diversify production to develop exports.

03 The LDC category was established by the UN General Assembly in 1971[1] as an acknowledgement by the international community that special support measures were needed to assist them. LDCs have exclusive access to certain international support measures, particularly in the areas of development assistance and trade. The UN defines LDCs as countries that have low levels of income and face severe structural impediments to sustainable development. Currently, there are 44 countries classified as LDCs[2]. These are mostly located in Africa (32 countries), with smaller numbers in Asia (8), the Pacific (3) and the Caribbean (1) (see ***Figure 1***).

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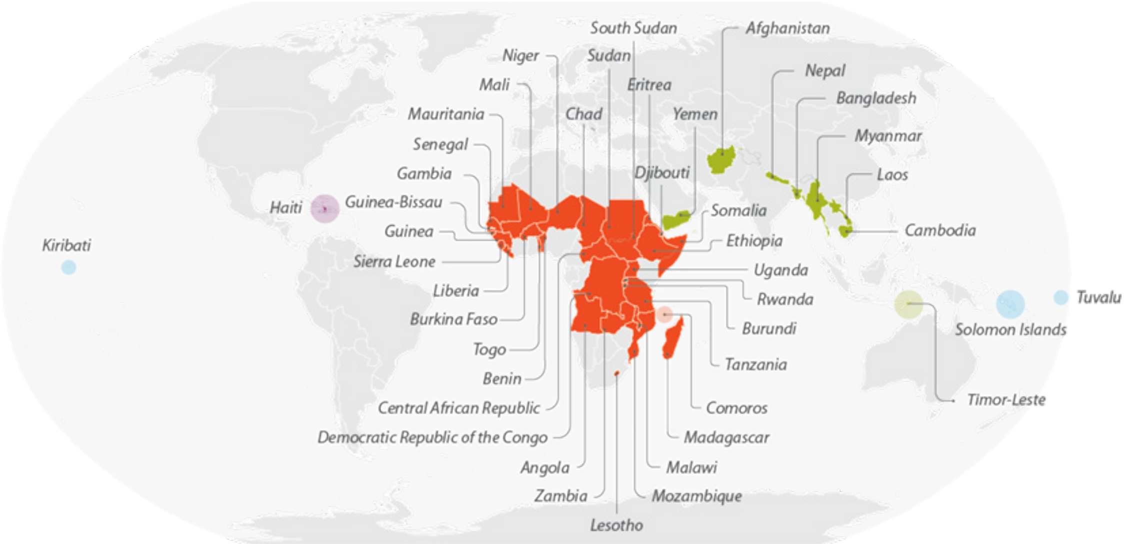
[1] UN resolution 2768 (XXVI) of 18 November 1971.

[2] List of least developed countries (as of 19.12.2024), UN.

Figure 1 | Map of the 44 least developed countries (as of 19 December 2024)



Source: ECA, based on data from United Nations Committee for Development Policy.

04 The Aid for Trade (AfT) initiative was launched at the World Trade Organization (WTO) Hong Kong Ministerial Conference in December 2005 and is "about helping developing countries, in particular the least developed, to build the trade capacity and infrastructure they need to benefit from trade opening. It is part of overall official development assistance (ODA), with grants and concessional loans targeted at trade-related programmes and projects"[3].

05 Since trade itself is a broad and complex activity, the WTO recognises that AfT is also broad and not easily defined[4]. It covers a wide range of areas:

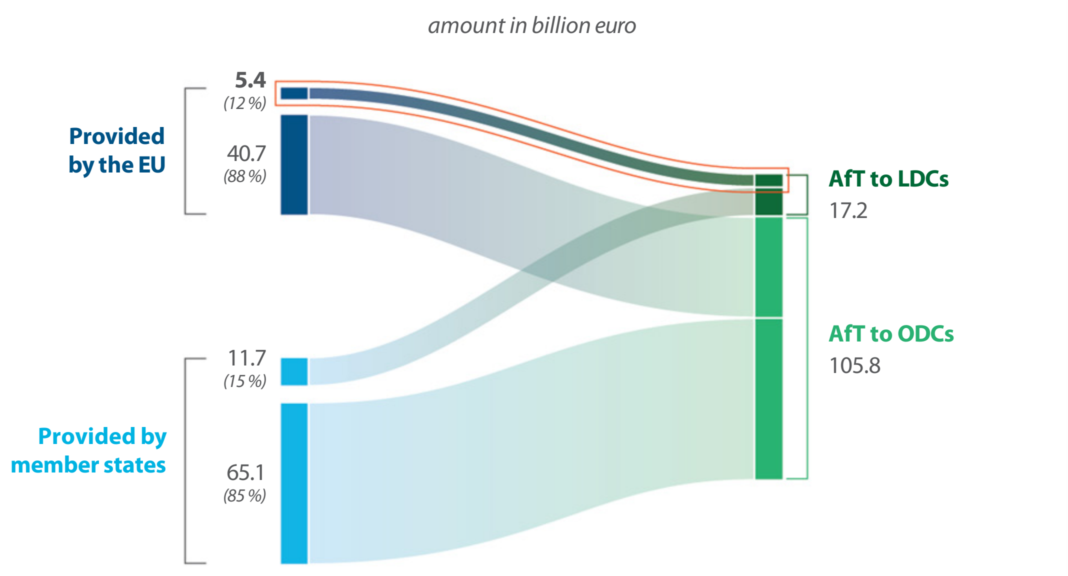
- building productive capacity (including all support for agriculture, forestry, fishing, industry, mineral resources and mining, banking and tourism) – investing in industries and sectors so countries can diversify exports and build on comparative advantages;
- economic infrastructure – building the roads, ports, railways, energy facilities and telecommunications that link domestic, regional and global markets;
- trade policy and regulations as well as trade-related adjustment – helping countries to develop trade strategies, negotiate more effectively and implement outcomes.

[3] Aid for trade fact sheet, WTO.

[4] Ibid.

06 Following the 2005 WTO Conference, in 2007 the EU adopted its own AfT strategy, which was updated in 2017. In recent years, EU collective AfT (from the EU and its member states combined) for least developed countries has remained relatively stable. In the period 2017-2022 it amounted to €17.2 billion, while €105.8 billion was provided to other developing countries (ODCs, comprising lower-middle-income countries and upper-middle-income countries). Support for least developed countries from the EU alone (comprising grants from the Commission and concessional loans from the European Investment Bank - EIB) accounted for almost one third of this total at €5.4 billion (see *Figure 2*). Most of the Commission's support is provided through EU delegations coordinating with international organisations, member state development agencies, development banks and other implementing bodies in partner countries, while member states channel theirs through embassies and development agencies.

Figure 2 | Aid for trade to least developed countries and other developing countries, 2017-2022 (commitments in billion euros)



Source: ECA, based on Commission data.

Note: Due to rounding, some totals may not correspond with the sum of the separate figures.

07 We examined, at an aggregate level for all LDCs, and in particular for four countries (Angola, Cambodia, Malawi and Rwanda) visited on-the-spot, whether the Commission properly targeted, implemented and monitored EU AfT to least developed countries. More specifically, we assessed whether the Commission:

- ensured that least developed countries' AfT needs were properly addressed in line with the EU AfT strategy and sufficiently embedded in the aims and objectives of its development programming;

- targeted EU AfT sufficiently at least developed countries and implemented this support to meet their needs in coordination with other stakeholders; and
- properly monitored and reported on the results and impacts of EU AfT in least developed countries.

The audit covers the period from 2017 to 2024.

08 With our report, we aim to contribute to improving the Commission's management of EU AfT for least developed countries and to inform decision-makers in any future revision to the governance arrangements of new AfT interventions (see paragraph ***23***). The subject has not been addressed by the ECA in recent years and more background information and details on the audit scope and approach can be found in ***Annex I***.

What we found and recommend

09 Overall, we conclude that while the EU AfT strategic framework was updated in 2017 to focus on LDCs' needs, it was not translated into an action plan. EU AfT is being delivered to these countries in line with the needs but is not on track to meet the 2030 funding target set in the EU strategy.

10 In 2017, 10 years after the first EU AfT strategy, the Commission issued a communication updating the strategy with a renewed vision. Among other things, it aimed to progressively increase the share of joint EU and member states AfT directed towards LDCs to 25 % of total AfT by 2030 (see paragraphs ***21***-***24***).

11 We found that the aim of increased focus on LDCs was not translated into an operational set of targeted objectives agreed with member states. This contributed to difficulties for the EU and its member states in progressing collectively towards the agreed funding target (see paragraphs ***25***-***28***).

12 The 25 % funding target is far from being achieved. The share of AfT directed towards LDCs averaged 18 % in the period 2010-2015, and has since declined, falling to 12 % in 2022, the latest year for which data is available. Most EU AfT remains directed towards other developing countries (ODCs) (see paragraphs ***41***-***44***).

13 We found that the Commission has not performed any detailed analysis of the reasons for this decline in the LDC share which would allow it to take corrective measures (see paragraph ***45***).

Recommendation 1

Develop an aid for trade action plan for least developed countries

To meet the objective of increased focus on least developed countries, the Commission should:

(a) carry out a detailed analysis of the reasons why EU aid for trade for least developed countries has not increased; and

(b) based on this analysis, reassess whether the 25 % funding target is still appropriate and, if any funding target is maintained, establish a dedicated action plan for least developed countries with specific and realistic aid for trade milestones, if necessary dividing these countries into sub-groups based on their particular needs, challenges, trade potential and objectives.

Target implementation date: End 2026

14 Several factors may have contributed to the low AfT allocations for least developed countries. For example, these countries face difficulties in accessing innovative financing (such as guarantees) and leveraging private funds. This problem risks being exacerbated in the coming years with the growing importance of the Global Gateway strategy and its strong emphasis on mobilising private sector investment (see paragraphs ***46***-***53***).

Recommendation 2

Enable least developed countries to benefit fully from Global Gateway support for aid for trade

The Commission should either incorporate the objectives of the EU aid for trade strategy in Global Gateway, especially for least developed countries or explicitly show how Global Gateway should support these objectives.

Target implementation date: Mid-2026

15 We found that the AfT-related projects we examined were in line with the AfT needs of least developed countries and that outputs were generally delivered as planned. However, in some cases there is a risk that these countries will be unable, in the coming years, to capitalise on the results and ensure the economic sustainability of projects (see paragraphs ***54***-***58***).

Recommendation 3

Scale up results and ensure economic sustainability of EU aid for trade interventions in least developed countries

During the planning and implementation phases of EU aid for trade interventions in least developed countries, the Commission should focus particularly on scaling up results and ensuring the economic sustainability of projects. For example, it should require beneficiaries to develop a business plan where appropriate or to implement measures to mitigate the risk of losing acquired technical expertise due to high staff rotation.

Target implementation date: End 2026

16 AfT support for least developed countries operates in a complex environment involving many stakeholders. We found that the EU delegations we visited generally had a high level of cooperation with government and engaged in structured dialogue with the private sector, civil society organisations and other international donors. In addition, we found that regular interactions and exchange took place between EU delegations and Commission headquarters (see paragraphs *59*-*61*).

17 However, we also found cases of limited or unstructured interaction between EU delegations in LDCs and other EU delegations with regional responsibilities. In addition, LDCs generally do not have sufficiently strong institutional frameworks to be able to express their AfT needs at regional level, in comparison to other developing countries. As non-country-specific interventions (mainly through regional programmes) with EU AfT-related support increase, this lack of focus risks becoming more significant (see paragraphs *62*-*64*).

Recommendation 4

Better coordinate EU aid for trade between EU delegations in least developed countries and EU delegations with regional responsibilities

The Commission should improve coordination between EU delegations in LDCs and EU delegations with regional responsibilities when designing, implementing and monitoring regional programmes. This may include the establishment of country-specific design and implementation mechanisms to ensure that regional trade-related programmes meet the specific needs of individual least developed countries, and a more integrated project governance structure.

Target implementation date: End 2026

18 Since the 2017 EU AfT strategy update, the Commission has published annual EU AfT progress reports highlighting the EU's contribution towards the global AfT initiative. However, we found that the Commission's monitoring and reporting were not comprehensive with regard to reporting on LDCs. Its reporting on financial inputs:

- does not include breakdowns by category and sector for LDCs;
- is based on commitments, with AfT commitments only being reported with a time lag of more than 2 years;
- includes no indication of the extent to which LDCs benefit from non-country-specific support (which accounts for a large part of AfT); and
- measures the impact of EU AfT support to a very limited extent (see paragraphs *66*-*81*).

Recommendation 5

Improve monitoring and reporting on EU aid for trade for least developed countries

In order to better prepare new EU AfT interventions in least developed countries, the Commission should:

(a) make reporting on its aid for trade support timelier and more meaningful by reducing time lag, reporting on payments as well as commitments and including estimated breakdowns of regional programmes per least developed country.

(b) regularly review and follow up any aid for trade action plan for least developed countries (see recommendation 1(b)), for example on the basis of indicators defined for each sub-group of least developed countries.

Target implementation date: End 2026

02

A closer look at our observations

The EU strategic framework was updated to provide focus on least developed countries' aid for trade needs, but was not translated into an action plan

19 In 2007, the EU (jointly with its member states) adopted its first aid for trade (AfT) strategy, following pledges for support agreed 2 years earlier at the World Trade Organization (WTO) Hong Kong Ministerial Conference. Annual funding of €2 billion was pledged for trade-related assistance, in equal measures, from the EU budget (managed by the Commission) and from the aid budgets of the EU member states.

20 We examined whether the Commission (together with its staff in EU delegations) had taken sufficient account of the updated EU AfT strategy when planning and programming development support. We also assessed whether the Commission ensured that the AfT needs of least developed countries were assessed appropriately on the basis of a methodology which took into account the priorities of the EU AfT strategy, evolving needs in LDCs and changing conditions.

The 2017 update of the EU aid for trade strategy called for increased focus on least developed countries

21 In 2017, 10 years after the first EU AfT strategy, the Commission issued a communication updating the strategy with a renewed vision. This set out ways in which the EU could make the strategy more effective by modernising AfT support and targeting it better, particularly

towards “Least Developed Countries and countries in situations of fragility”. It also placed stronger focus on the social and environmental dimensions of sustainability, together with inclusive economic growth and existing links between investment and trade which need to be fully exploited in order to achieve the UN’s 2030 sustainable development goals (SDGs). The updated strategy required the following fundamental changes from existing practices[5]:

- “Reduce current fragmentation and increase leverage of aid for trade through better informed and coordinated delivery;
- 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;
- stronger focus on the social and environmental dimensions of sustainability, together with inclusive economic growth;
- better differentiation of countries with increased focus to Least Developed Countries and situations of fragility; and
- improved monitoring and reporting”.

22 The 2017 update set a target of increasing the proportion of EU and member states’ overall AfT directed towards least developed countries, aiming for a progressive increase from 18 % (the 2010-2015 average) to 25 % of total AfT by 2030. This funding target was consistent with SDG target 8.a on aid for trade (“Increase AfT support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to LDCs”) and was expected to help achieve SDG target 17.11 of doubling the share of global exports from LDCs by 2020.

23 The latest version of the strategy is now 8 years old, with no further update after 2017. In the meantime, other related EU initiatives have been launched and are running in parallel. For example, the Commission’s communication on the 2021 trade policy review included several priority areas related to trade with developing countries, such as promoting responsible and sustainable value chains, contributing to the SDGs and strengthening the EU’s partnerships with Africa.

24 In December 2021, the Commission and the High Representative of the Union for Foreign Affairs and Security Policy launched the official joint communication on the Global

[5] Communication from the Commission, 13.11.2017, Achieving Prosperity through Trade and Investment – Updating the 2007 Joint EU Strategy on Aid for Trade.

Gateway strategy. This has an impact on AfT, given its aim to mobilise investments in key strategic transport, energy and digital infrastructure in support of the EU's partners' efforts to accelerate the green and digital transformation and to help increase trade and people-to-people exchanges. The strategy combines financial tools (aiming to leverage private sector investment) with operational tools such as technical assistance, policy and economic dialogue, trade and investment agreements and standardisation, to help create better conditions for quality investments. However, it makes no reference to the EU AfT strategy.

The 2017 strategy update was not followed by any action plan with milestone targets for either member state or EU funding

25 At the time of the 2017 strategy update, 18 % of EU collective AfT (average over the period 2010-2015) was being directed towards LDCs, with most of the remainder spent in ODCs. The updated strategy set the political objective of increasing this proportion to 25 % by 2030, to be achieved jointly by the EU and its member states (see paragraph ***22***). We have not been provided with documented justification for the size of this target. According to the Commission, however, it was based on both the pledge that donor countries had made regarding general ODA[6] and the proposal that member states should channel a certain proportion of their aid to LDCs[7].

26 The Commission considered that the goal of 25 % was reasonable and achievable for the EU and the member states. It was not based on a quantified assessment of least developed countries' AfT needs compared to those of other developing countries. Nor did the target make allowance for the potential graduation of LDCs in the period 2017-2030, which would affect the calculation (see paragraph ***04*** of ***Annex I***).

27 We found that this funding target was not translated into an operational and targeted objective or set of objectives agreed with member states which might have included:

- intermediate milestones to monitor the progress towards its achievement;
- individual targets for the EU and its member states;
- individual targets for each LDC or group of LDCs based on their specific needs, or for each category of AfT support (see paragraph ***05***);

[6] "International Development Strategy for the Second United Nations Development Decade", UN General Assembly Resolution 2626 (XXV), 24 October 1970, paragraph 43.

[7] Recital 22 to the NDICI Regulation.

- taken into account the potential impact of graduation of some LDCs (e.g. loss of access to the Everything but Arms scheme – see ***Annex I*** paragraph ***10***).

28 Without breaking down the target into either timetabled steps or agreed responsibilities between the EU and the individual member states, it will be very difficult for the EU and its member states to collectively meet the agreed target.

Aid for trade is too broad a concept to drive programming for EU delegations and implementing partners

29 In the LDCs we visited, AfT as a strategy or concept does not explicitly feature in EU delegations' programming, as set out in country or regional multiannual indicative programmes (MIPs). We found that the EU delegations and implementing partners did not consider the AfT concept to be relevant, useful or sufficiently precise to guide them in targeting support.

30 Support is instead directed at specific areas related to AfT (such as development of productive capacity, diversification, improvement of value chains and infrastructure, trade facilitation, and improving the business environment) which are considered more relevant based on the needs identified in the partner countries.

31 For practical and reporting purposes, the WTO and the Organisation for Economic Co-operation and Development (OECD) have defined AfT to include a wide range of interventions and sectors covering almost 100 Development Assistance Committee (DAC) codes. These are grouped under three main categories: economic infrastructure, building productive capacity, and trade policy and regulation (see paragraph ***05***). At EU level, there is no longer a trade development policy marker for expenditure in the NDICI-Global Europe Regulation since it was discontinued in 2021 by the OECD due to the risk of misinterpretation[8].

32 Other organisations such as the World Bank[9] apply different definitions of AfT for their own purposes, defining AfT more narrowly to exclude infrastructure projects.

[8] Follow-up to the review of the Trade Development policy marker, OECD.

[9] What is the World Bank doing on aid for trade? (p. 3, footnote 4); and 2023 EU AfT progress report (p. 158).

Specific aid for trade need assessments were previously carried out under the Enhanced Integrated Framework but have mostly been discontinued

33 It is important that the Commission ensure the AfT needs of least developed countries are assessed appropriately, and that LDCs demonstrate ownership of support from international donors in order to promote success and sustainability. Needs assessments, including those relating to AfT, should therefore include processes which involve partner country governments and stakeholders. This can be a challenge since LDCs generally have weaker institutional and strategic frameworks than ODCs. Furthermore, according to a survey of EU delegations[10], for almost one quarter of LDCs, trade development is not integrated effectively in a strategic document for the country or region.

34 In the past, starting from the period in which the AfT concept was launched by the WTO in 2005, specific assessments of least developed countries' AfT needs (known as "diagnostic trade integration studies") were carried out under the Enhanced Integrated Framework (EIF), the EU being one of its funding partners. Through these studies, the EIF aimed to provide least developed countries with analytical tools for trade mainstreaming and a common basis for prioritisation and mobilisation of resources, including donor support. However, the studies have generally not been kept up to date in recent years (no more than 20 % of the diagnostic trade integration studies for LDCs have been updated since 2017), and three of the four EU delegations visited (Cambodia being the exception) were not familiar with these studies and did not use them for the programming exercise.

35 The EIF was criticised in a 2021 evaluation[11] for lacking country-specific focus. In the countries we visited, reports on the usefulness of the EIF were mixed. The government of Rwanda found the help it had received in programming and in supporting an implementation strategy for the African Continental Free Trade Area to be positive, though with fewer such results in the last 5 years, while Malawi reported that the EIF had contributed to an increase in exports of oilseed crops, soya beans and groundnuts. There was no awareness of EIF activities in Angola, and both limited activity and projects of questionable usefulness in Cambodia.

36 The evaluation also recognised that although they are "a well-established and powerful analytical framework that helps countries better understand the constraints to trade that

[10] "Enhancing international trade by least developed countries" - Complementary study for the 2023 EU AfT progress report, European Commission.

[11] Evaluation of the Enhanced Integrated Framework, final evaluation report, Saana Consulting, 9 December 2021.

they are facing", diagnostic trade integration studies and updates require an "analytical process [which] can be very heavy and challenging for the LDCs to meaningfully participate in, with the recommendations becoming swiftly outdated".

The Commission has no specific aid for trade needs assessments at its disposal, but EU delegations identify priority areas

37 In its overall planning work, Commission staff in both headquarters and EU delegations assess LDCs' needs in the field of economic development and growth. EU delegations consult a range of official documents and stakeholders to do this. In the four LDCs visited, there were national development plans or export strategies which demonstrated government priorities and gaps for trade development. In addition, EU delegations worked in conjunction with ministries, private-sector and civil society organisations, international non-governmental organisations and other donor partners to identify needs and build these into the programming of support.

38 The needs and priorities identified fed into the EU's overall development programming through national indicative programmes (NIPs) for the 2014-2020 period, and country MIPs for the 2021-2027 period, setting broad priorities and objectives, but also regional programmes as some trade-related issues can only be tackled within a regional framework. Regional programmes, covering groups of partner countries based on their geographical location, included but did not specifically target LDCs. The EU delegations we visited were unable to provide information on the extent to which regional programmes covered LDCs compared to other developing countries.

39 Another potential source for needs assessment is the United Nations Conference on Trade and Development (UNCTAD) productive capacities index, which has been produced for each LDC, with eight components and 42 underlying indicators. The index is designed to identify areas in which countries may be leading or falling behind, highlighting where policies are working and where improvements are needed. It suggests a roadmap for future policy actions and interventions under each of its components. It has been calculated retroactively, dating back to 2000, and is reviewed every 3 years. National productive capacities gap assessments in LDCs have also been made, along with analysis of LDCs' support utilisation rates. However, EU delegations did not use these tools to identify needs in any of the four LDCs visited.

EU aid for trade is being delivered in line with needs, but falls well short of the funding target

40 The 2017 EU AfT strategy aimed to increase the proportion of EU and member state's overall AfT directed towards least developed countries. It also placed stronger focus on the social and environmental dimensions of sustainability, and on increasing the relevance of EU AfT support (see paragraph ***21***). In this section, we examine whether:

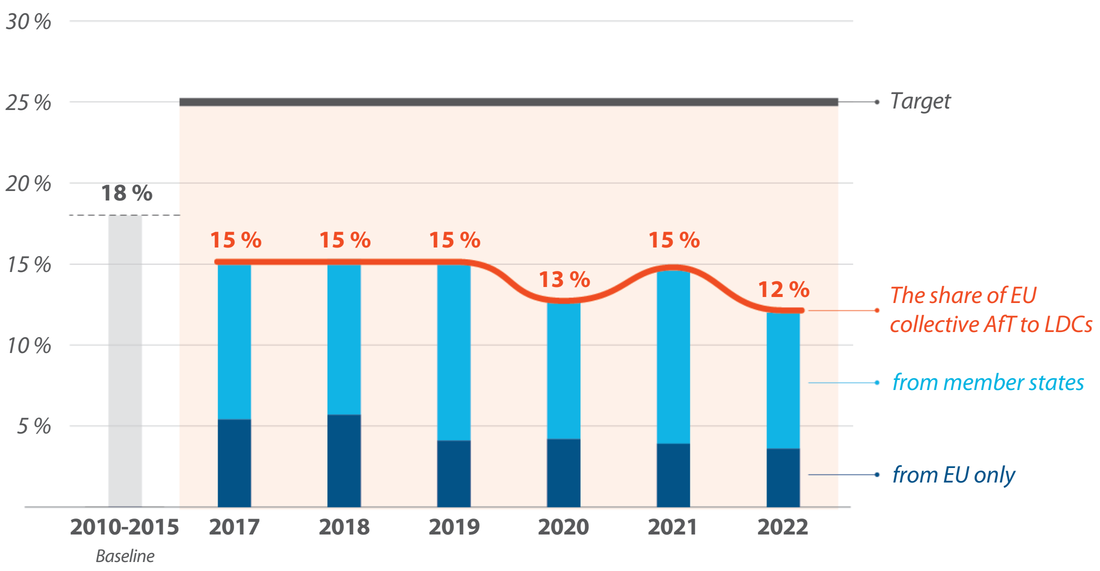
- the Commission targeted LDCs sufficiently;
- EU AfT support covered relevant categories and sectors in line with LDCs' needs; and
- EU AfT was implemented in a coordinated way.

The funding target for least developed countries is far from being achieved, without a detailed analysis which would allow corrective measures

The Commission reports that EU aid for trade for least developed countries is well below the target

41 As reported by the Commission, the 25 % funding target by 2030 (see paragraph ***22***) set by the EU AfT strategy is far from being achieved. Starting from an average of 18 % over the period 2010-2015, and 15 % when the target was set in 2017, the share of EU collective AfT for LDCs has failed to increase and even dropped to 12 % in 2022 (the latest year for which data is available) (see ***Figure 3***).

Figure 3 | Share of EU collective aid for trade for least developed countries



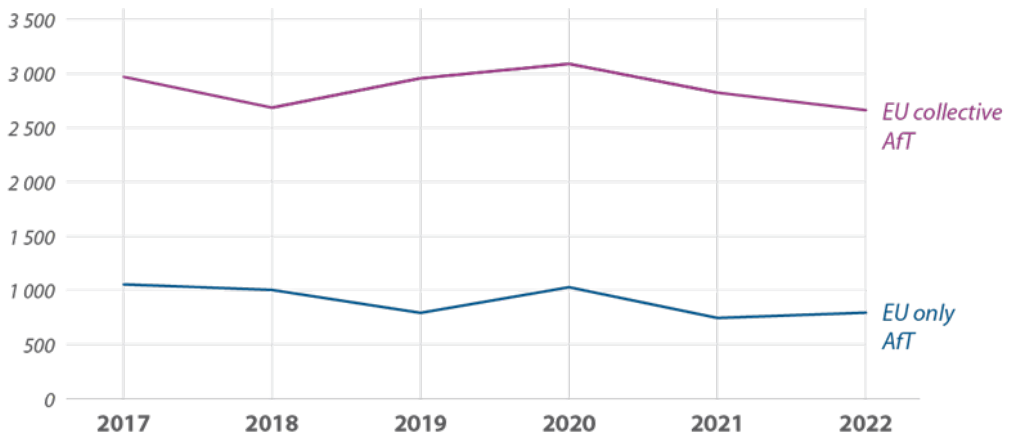
Source: ECA, based on Commission data.

42 The share of EU-only AfT support directed to LDCs (12 % average during the period 2017-2022) was lower than that from member states (15 %) (see ***Figure 2***). According to data provided by the Commission, a comparison with the corresponding shares allocated by the World Bank (65 %) and Japan (32 %) indicates that LDCs are given lower priority in EU AfT.

43 Most EU collective AfT is directed towards ODCs. In the period 2017-2022, EU-only AfT for the six highest beneficiaries (Türkiye, Egypt, Ukraine, Morocco, Serbia and India) totalled €15.2 billion. This is almost three times the amount for EU-only AfT support for all 48 LDCs combined during the same period, which amounted to €5.4 billion (see paragraph ***04*** of ***Annex I***).

44 In real terms, the volumes of EU-only and EU collective AfT for least developed countries have also stagnated in recent years (see ***Figure 4***).

Figure 4 | EU collective and EU-only aid for trade for least developed countries (in million euros, constant 2022 prices)



Source: ECA, based on 2024 EU aid for trade progress report.

The Commission did not carry out any detailed analysis which would allow it to take corrective measures

45 The fact that EU funding falls well short of the target for LDCs has been acknowledged in subsequent EU AfT progress reports since 2021. However, the Commission has not carried out any detailed analysis of the corresponding reasons which would allow it to take corrective measures to meet or reassess the target.

46 There may be several factors contributing to the low focus in practice on least developed countries in terms of AfT allocations, as these countries face significant challenges that need specific consideration (see paragraph ***01***).

47 Firstly, half of EU AfT for all developing countries was channelled via loans in the period 2017-2022 (see paragraph ***04***). However, it is difficult for LDCs to access this type of support, which is characterised by innovative financing and the leveraging of private funds. An external study[12] used for the Commission evaluation of the EU's external financing instruments for the 2014-2020 and 2021-2027 multiannual financial frameworks highlighted the difficulties in using guarantees in fragile and least developed countries, a point also raised in our opinion 03/2024 accompanying the Commission evaluation of the External Action Guarantee. Consequently, LDCs' funding instead tends to be limited to

[12] European Union's external financing instruments (2014-2020 and 2021-2027), volume I, synthesis report, conclusion 5, p. 65.

grants. In the period 2017-2022, 78 % of EU AfT allocated to least developed countries was channelled via grants, compared to only 22 % via loans.

48 This problem for LDCs risks increasing in the coming years as the importance of the Global Gateway strategy grows. Global Gateway is mainly implemented through the European Fund for Sustainable Development Plus with guarantees and schemes that blend grants with loans. These aim to attract additional investments from other financial institutions and from the private sector, but are less attractive for investment in LDCs. Our interviews with EU delegations, national authorities and other stakeholders in the four countries visited indicated that this approach was less suitable because of their fragile economic situation, their debt vulnerability, and the private sector's limited ability to repay in foreign currencies (see ***Box 1***).

Box 1

Examples of challenges faced by visited LDCs in accessing innovative financing and leveraging private funds

In **Angola**, an EIB project was supposed to be launched to facilitate access to financing for the private sector, supporting banks' credit lines. Two banks were selected, but the project ended up not being launched, as the banks failed to pass the due diligence quality tests.

In **Cambodia**, according to the EU delegation, the EIB's interest rates are high compared to other financing institutions such as the Asian Development Bank and the World Bank, which offer heavily discounted rates. The Cambodian government therefore prefers those other banks. This makes it hard to mobilise EIB loans, except for blending projects, where the EIB manages to secure substantial associated grants.

In **Malawi**, experience has shown that private banks are reluctant to be involved in EU AfT interventions, such as the Kulima "Access to Finance" project implemented by the EIB, because they do not want to take risks with clients not exporting and not working with foreign currencies. Initially, the project's final beneficiaries were supposed to be smallholder farmers and small and medium-sized enterprises (SMEs) working with them to improve their living conditions. However, the local commercial banks that provided loans through this project only gave loans to big clients they had already worked with (with approximately 90 % of funds going to agri-business companies); the main target population therefore did not benefit directly from this project.

49 Secondly, according to the Commission, EU AfT support for developing countries in the agricultural sector, which is key for LDCs (see paragraph ***55***), "appears to be slowing

down"[13], with economic infrastructure investments growing, notably through Global Gateway's prioritisation of transportation corridor investments. This overall trend in developing countries was already noted in 2022, when EU AfT investment in economic infrastructure edged above investment in building productive capacity[14].

50 This contrasts with the situation in LDCs, where, in the same year, economic infrastructure investments accounted for 37 % of EU AfT compared to 62 % for building productive capacity. LDCs are still at a phase, in their economic development, in which they need to grow their productive capacity.

51 A third factor contributing to the stagnating EU AfT support in least developed countries is the increasing share of non-country-specific support, i.e. AfT which is not allocated to individual countries. This share grew from 18 % of EU AfT in 2017 to 39 % in 2022. Non-country-specific support is mainly channelled to developing countries (including LDCs) via regional MIPs, covering several countries that do not necessarily belong to the same income group.

52 We found that the two regional MIPs covering the vast majority of LDCs (Sub-Saharan Africa, and Asia and the Pacific) did not have any particular focus on LDCs when programming aid covering AfT areas, in terms of specific objectives, type of support or expected results. According to the EU delegations we interviewed, this results in competition between countries (LDCs and ODCs) for resources, particularly for blending operations at country level. Some LDCs with stronger institutional frameworks and technical capacity, such as Cambodia, managed well, whereas others do not have the resources needed to liaise effectively with several regional economic community secretariats and "regional" EU delegations outside their territory. This was the case, for example, in Malawi (see paragraph ***64***).

53 Finally, the weak institutional frameworks and/or lack of experience with ODA in some LDCs is another factor contributing to their low level of EU AfT. Of the four countries visited, this was particularly the case for Angola, which received very little EU AfT support in the period 2017-2022 compared to other LDCs (both in absolute terms – €11.8 million – and especially per capita). According to the EU delegation, Angola is a relatively recent beneficiary of ODA from the EU (since around 2010), meaning that the necessary mechanisms for managing development aid are still not mature.

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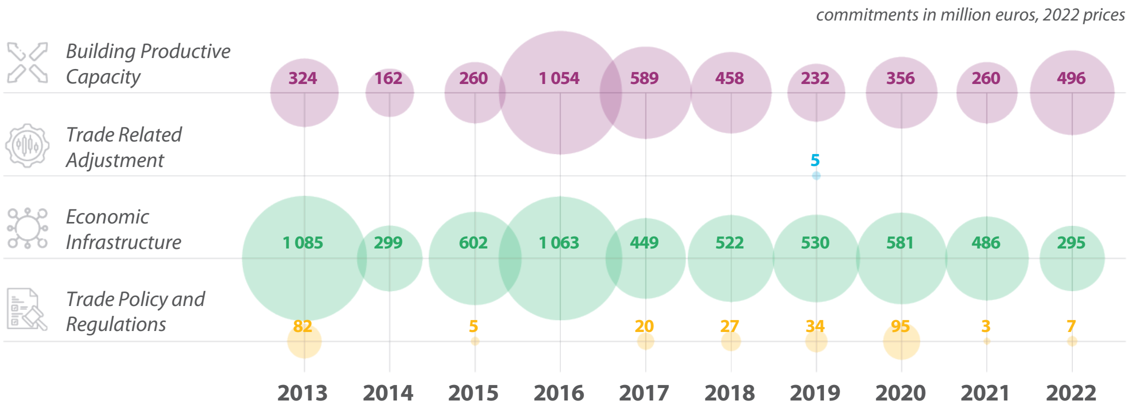
[13] 2024 EU AfT progress report, p. 10.

[14] Ibid., p. 35.

EU aid for trade for least developed countries covers a range of relevant categories and sectors, but economic sustainability of projects is not always ensured

54 AfT is broad and covers three main categories and a wide range of sectors (see paragraph *05*). EU AfT for least developed countries is concentrated on two main categories: "economic infrastructure" and "building productive capacity", accounting for 53 % and 44 % of total EU AfT respectively over the period 2017-2022. The third AfT category, "trade policy and regulation", accounted for only 3 % over the same period (see *Figure 5*). As mentioned above (see paragraph *50*), "building productive capacity" accounted for a larger share of EU AfT for least developed countries in 2022 than "economic infrastructure", contrary to the trend noted for ODCs.

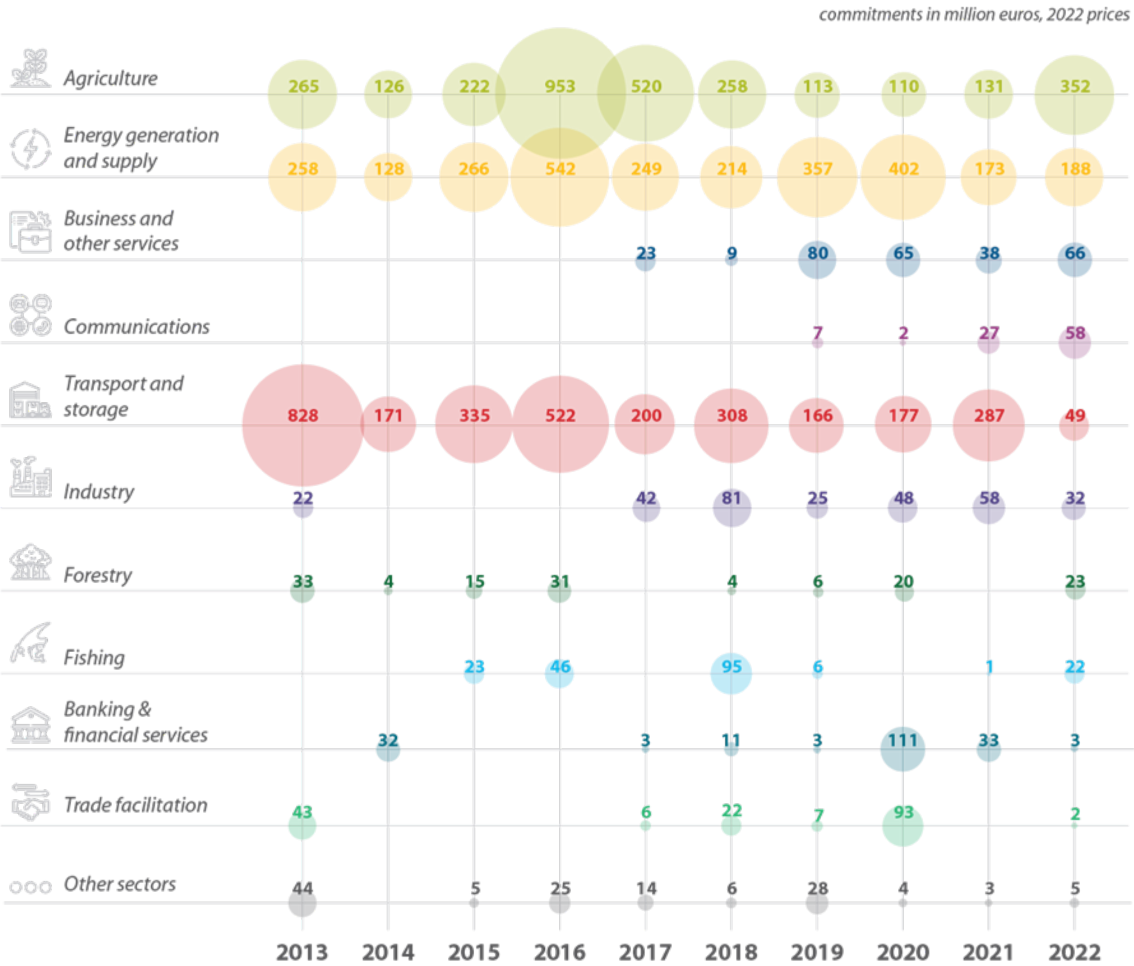
Figure 5 | EU aid for trade for LDCs by category, 2013-2022 (commitments in million euros, constant 2022 prices)



Source: ECA, based on Commission data.

55 In terms of sectors supported, for the period 2017-2022, EU AfT for least developed countries mainly focused on energy generation and supply (29.1 %), agriculture (27.3 %) and transport and storage (21.8 %) (see *Figure 6*). In ODCs, however, support focused on the energy, banking and financial services and transport sectors. The economies of LDCs are heavily dependent on agriculture and this sector's development is generally prioritised by LDC governments in order to increase food security and potential export revenue.

Figure 6 | EU aid for trade for LDCs by sector, 2013-2022 (commitments in millions of euros, constant 2022 prices)



Source: ECA, based on Commission data.

56 In the four countries visited, we found that the AfT-related projects we examined were in line with the AfT needs of the partner country and the priorities and objectives set in the related MIP. EU-funded projects were aimed, for example, at enhancing national authorities' technical capacity in the field of trade, identifying value chains with export potential, delivering laboratory equipment to improve the countries' systems for standardisation and exports certification, or supporting their productive capacity.

57 During our on-the-spot visits, we found that actions had been implemented and outputs generally delivered as planned. We also found that the projects we examined were generally contributing to increasing the countries' trade potential. ***Box 2*** provides some examples of these projects.

Box 2

Examples of EU aid for trade actions implemented and outputs delivered in the four countries visited

In **Angola**, Train for Trade II was an EU-UNCTAD joint programme to strengthen local capacities and promote national ownership with regard to trade and investment issues. It included training and capacity-building for staff in ministries and public bodies, but also an entrepreneurship training programme for micro-enterprises and SMEs. The intended outputs, in terms of number of training events, workshops and technical documents drafted, were delivered in full.

In **Cambodia**, the CAPFish Capture – Post-harvest Fisheries Development project aims to enhance post-harvest fisheries by upgrading the country's regulatory and institutional system and strengthening business development services. At the two SMEs we visited, this resulted in more efficient and hygienic fish-drying facilities, methods to produce and package fish paste, and implementation of the Cambodian Quality Seal to comply with international food safety requirements. Cambodia is seeking endorsement from the Commission in 2025 to be listed as a country eligible to export fishery products to the EU.

In **Malawi**, the EU supported the Kulima "Promoting Farming in Malawi" programme to increase agricultural productivity and diversify production, develop agricultural value chains, and strengthen governance in the agricultural sector. We visited one agricultural research station where laboratory equipment had been delivered. The equipment had increased the laboratories' analysis capabilities and enabled them to test whether agricultural products are free from genetically modified organisms, which is a prerequisite for exporting to some countries.

In **Rwanda**, the EU has supported the project "A market driven approach for value chain improvements and the expansion of the Rwandan coffee market". The project aims to enhance the Rwandan coffee value chain and develop export potential. Though the project is not yet finished, Rwanda's participation in the global coffee value chain has already been improved.

58 Our assessment of the projects shows that, while outputs were delivered, in some cases there is a risk that partner countries will be unable, in the coming years, to:

- capitalise on the projects' results, such as developing some of the value chains identified, or applying newly acquired technical capacity to regional and international trade negotiations;
- ensure their economic sustainability, taking into account the high rotation of staff in ministries or the operating costs of new equipment.

Box 3 provides some examples of projects facing difficulties in capitalising on their results and/or in ensuring their economic sustainability.

Box 3

Examples of projects facing difficulties in scaling up results and/or in ensuring their economic sustainability

In **Angola**, the planned outputs of the Train for Trade II project have been delivered in full, but its impact is less evident. While more than 3 000 individuals had been trained in total, more than half of these were working in the public sector, where staff rotation is high and knowledge may not be preserved. Though the programme identified certain value chains as having potential for export, the productivity of these sectors still needs to be increased. The impact of Train for Trade II has not been high, partly due to difficult external factors. The project's trade-related result/impact indicators – share of non-oil exports to the world, value of total exports to Southern African Development Community (SADC) countries, and share of non-oil exports to those countries – have also generally not been met.

In **Cambodia**, the EU delegation implemented the SWITCH-Garment project, which promoted energy efficiency, by funding energy audits in 50 garment factories. After these audits took place, 23 of these factories decided to implement some of the recommendations made (at their own expense). One of the most common recommendations was to install solar panels. However, few factories implemented this recommendation, as the costs laid down by Cambodian legislation for connecting solar panels to the electricity grid offset the potential savings.

The project also identified types of garment factories that should be targeted more specifically for energy efficiency measures (e.g. factories doing a lot of ironing, which are large energy consumers). However, these factories are often owned by foreign investors who do not intend to invest in upgrading buildings.

In **Malawi**, we visited one agricultural research station supported under the Kulima programme. The increased analytical capability of its laboratory was seen by the beneficiary as an opportunity to be accredited in order to provide certification to export to international markets. However, this was not envisaged in the design of the project and the beneficiary cannot predict if or when this will be achieved. In addition, the laboratory had offered some services free of charge at the beginning of the project, having a detrimental impact on its sustainability. The laboratory has only recently started to charge farmers and other users for services it provides in order to try to become self-sustaining, which currently it is not.

In **Rwanda**, the project to improve the coffee value chain and expand the Rwandan coffee market did not sufficiently consider risks related to climate change. Recently, weather pattern disturbance (linked to climate change) has had an impact on the season cycle (rainy/dry seasons) and therefore on the coffee production cycle. Sales agreements with international buyers may have to be made before the size and quality of the harvest is known, leading to unpredictable sales and lower incomes.

Coordination by EU delegations is generally good, but there was a missed opportunity for enhanced coordination with member states and regional EU delegations

59 AfT support for least developed countries operates in a complex environment involving many stakeholders. These include partner countries (LDCs), member states (including their national development agencies, ministries and embassies), other international donors, EU delegations in the partner countries, "regional" EU delegations, Commission headquarters, the private sector and civil society organisations. Coordinated implementation of EU AfT at all levels is key to ensure the effectiveness of its delivery and ownership from the partner country.

60 We found that most EU delegations visited had a high level of cooperation with LDCs' governments, bilaterally and as part of the different donor committees covering AfT-related areas. They also engage in structured dialogue with the private sector through chambers of commerce and other associations, as well as civil society organisations, especially since the adoption of the Global Gateway strategy.

61 For the countries visited, we also found that regular interaction and exchange took place between Commission headquarters and EU delegations. However, our interviews with EU delegations showed that feedback provided by headquarters on their reporting could be improved. This was particularly the case for the AfT survey sent to EU delegations by Commission headquarters (see paragraph *67*).

62 Team Europe initiatives aim to bring together the EU and its member states — including their implementing agencies and public development banks — as well as the EIB and the European Bank for Reconstruction and Development. According to the Commission, the intention behind the Team Europe approach is for the EU and its member states to increase the impact of their external action by joining forces. As the EU AfT strategy is a joint strategy between the EU and its member states, setting common objectives and quantified targets, Team Europe initiatives can promote the necessary complementarity between EU and member state AfT.

63 However, we found that despite Team Europe initiatives, covering AfT-related areas, being planned in the MIPs of the countries visited, they were generally not translated into, joint programming, coordinated implementation, or common monitoring and reporting (especially in Angola and Malawi). This was supported by our interviews with representatives of foreign affairs ministries from two member states who figure among the largest donors and calls into question the added value of such initiatives on the ground.

64 EU AfT support for individual LDCs is channelled not only through country MIPs, but also via regional ones, managed by EU delegations that have a regional mandate. Our interviews in the visited countries show that interaction between the EU delegations and one or several regional EU delegations was in some cases limited and not structured (see *Box 4*). This is particularly relevant in the context of increasing non-country-specific interventions and regional MIPs covering EU AfT-related support (see paragraph *51*).

Box 4

Examples of regional programmes involving Malawi

Most EU AfT support addressing Malawi's needs related to regional trade integration is provided through the 2021-2027 MIP for Sub-Saharan Africa. The regional programmes and projects involving Malawi are implemented by the EU delegations in Zambia (when related to the Common Market for Eastern and Southern Africa – COMESA) or Botswana (when related to the Southern African Development Community – SADC).

Except during the design phase, the EU delegation in Malawi does not have any close interaction with the regional EU delegations regarding trade-related programmes involving Malawi. It is also difficult for the EU delegation in Malawi to track the results achieved through these programmes.

In addition, Malawian national authorities lack sufficient technical capacity to liaise effectively with the COMESA and SADC secretariats. This, together with the relatively small size and low weight of Malawi in trade schemes (compared to other countries) and the lack of structured interaction with regional EU delegations, risks in projects not being prioritised entirely in line with the country's needs. This is the case, for example, with an EU-funded regional project to create a one-stop border. The project covered the Mwami/Mchinji border between Zambia and Malawi in the Nacala corridor, which is of limited relevance for Malawi's exports (accounting for only 5 % of the total), whereas the border checkpoints with Mozambique and Tanzania, which are much more relevant, are not yet operational on either side.

Commission monitoring and reporting of results and impacts of EU aid for trade have improved, but are not comprehensive

65 The 2017 EU AfT strategy update calls for more comprehensive and results-driven monitoring and reporting, to improve the analysis and showcasing of the impact of EU AfT interventions and the dissemination of lessons learned. In this section, we examine whether the Commission has improved its EU AfT monitoring and reporting to inform and support new AfT interventions.

Since 2017 the Commission has published a dedicated annual EU aid for trade progress report

66 In accordance with the EU AfT strategy update, since 2017 the Commission has published an annual EU AfT progress report highlighting the EU's contribution towards the global AfT initiative. These reports analyse progress on EU trade with developing countries and provide an overview of EU AfT flows to all developing countries (including LDCs). They are based on ODA data sourced from the OECD, as well as on trade statistics from the European Statistical Office (Eurostat).

67 Most of the progress reports also include a qualitative assessment based on a biennial AfT survey (annual until 2022) sent by Commission headquarters to EU delegations (to be filled in jointly with member state representations in the partner country) and, since 2024, also to each EU member state. According to the Commission, the survey is an opportunity to collect feedback from the field on EU AfT and share any best practices identified or lessons learned. The last survey, conducted in 2024, covered the following:

- the relevance and coordinated implementation of EU AfT;
- the coherence of EU trade instruments; and
- EU AfT's contribution to improving the investment climate, regional integration and trade facilitation, and its consistency with the EU's Global Gateway strategy.

68 In addition, in 2023 the Commission carried out a one-off dedicated assessment on AfT for least developed countries. This assessment was summarised in the complementary study for the 2023 EU AfT progress report. It covered the trade performance of LDCs and the role AfT could play in enhancing their trade capabilities.

69 This study, in addition to examining international statistics on trade and AfT, also contained a qualitative assessment based on the EU AfT survey (see paragraph *67*) used for the 2022 EU AfT progress report, augmented by interviews with six selected LDCs. More specifically, it also compared the replies received from EU delegations in LDCs and ODCs in terms of:

- trade strategy, governance and stakeholder coordination;
- AfT support to help the countries benefit from trade agreements and preferences; and
- AfT support for labour and human rights provisions, for environment and climate provisions, and for business environment and investment climate.

The Commission's overall monitoring and reporting of EU aid for trade is not comprehensive

70 While the Commission has improved its monitoring and reporting of EU and member state AfT since 2017, there remain a number of conceptual weaknesses which prevent a complete picture of EU AfT being established.

The Commission's monitoring of financial inputs is not comprehensive

71 The total annual financial inputs reported in the EU AfT annual progress reports are quantified using committed amounts broken down by either region, income group, category, sector, or type of financing flow. Therefore, for any income group, such as LDCs, monitoring is limited to the annual commitments, without any additional breakdown.

72 Three additional weaknesses hamper the relevance of the Commission's monitoring and reporting of EU AfT flows to least developed countries:

- EU AfT flows are reported on the basis of commitments, which are usually multiannual but are fully recorded in the year they are signed. This makes it difficult to compare the annual AfT allocations of individual LDCs. Commitments also do not always lead to corresponding payments. In Cambodia, we examined a programme for which 13 % of the committed budget (€3.5 million out of €27.5 million) will not be disbursed because some targets upon which the payment of budget support is conditional could not be met. Multi-donor projects may also be significantly delayed, as in the case of the Blantyre airport project in Malawi, for which commitments amounting to €17 million were signed in 2019 but no payments have been made yet.

- The Commission reports a large proportion of EU AfT (39 % in 2022) as non-country-specific, and has no way of assessing the extent to which this support is also channelled to LDCs and is helping to build the trade capacity and infrastructure they need to benefit from regional and global trade.

- There is still a time lag of more than 2 years between the committing of AfT and this commitment being reported (i.e. the 2024 EU AfT progress report, published by the Commission in February 2025, presents data only until 2022). In 2017, the updated EU AfT strategy had already called for this time lag to be reduced (see paragraph *51*).

Lack of consolidated monitoring on outputs and results achieved

73 The EU AfT progress reports do not include data on EU AfT outputs and results achieved, and the Commission did not provide us with any other document containing such data. Such information is only available for each individual project or funding programme (see paragraph *57*) and is not compiled in a document at headquarters or country level with a view to monitoring the implementation of NIPs/MIPs (see *Box 5*).

Box 5

Examples of relevant trade-related indicators, not always monitored

We found that in one of the four countries visited (Angola), the 2021-2027 MIP included relevant trade integration or export diversification indicators with quantified targets to be achieved by 2027 (e.g. share of exports to African countries, share of non-oil/extractive exports as a percentage of GDP). However, we noted that the progress towards the achievement of these indicators was not monitored annually by the EU delegation in Angola; nor were these indicators used systematically when launching projects related to this area.

We also found that Cambodia's 2014-2020 NIP included indicators of increased market competitiveness in domestic and export markets (e.g. aquaculture production meeting food security and export demand), which were relevant for AfT. No evaluation of the 2014-2020 NIP has taken place and the achievement of its expected results has not been assessed.

Limited assessment of environmental and social sustainability

74 When reporting on sustainability objectives, the Commission uses the OECD's Rio markers and gender equality marker to monitor whether EU AfT commitments are targeting the environmental and social dimensions of sustainability.

75 However, this reporting only became comprehensive, with the inclusion of EU AfT loans, once the EIB also started to use these markers in 2022. The markers provide only a limited assessment of the social targeting of AfT; for example, they do not cover the creation of decent working conditions or new jobs. The Commission did not report how much AfT funding actually addressed these markers, or on any related impact.

Survey does not constitute a solid basis for compiling feedback from EU delegations on EU aid for trade

76 In its EU AfT progress reports, the Commission includes a qualitative assessment based on a survey it sent to EU delegations and, since 2024, also to each EU member state (see paragraph *67*). In the case of the LDCs visited, we found that this survey was generally disconnected from the EU delegations' programming and reporting exercises.

77 We consider that this survey does not constitute a solid basis to compile feedback from the field on the relevance and coordinated implementation of EU AfT, nor to identify lessons learned, as:

- the usefulness of the questionnaire, as currently designed, is doubtful given the differing interpretations of the AfT concept. Some EU delegations visited based their responses on a narrow definition of AfT (e.g. excluding infrastructure projects) whereas others used a broader one based on the WTO/OECD definition (see paragraph *31*);
- many EU delegations in LDCs did not reply to the survey, which had a response rate of 74 % in 2022 and only 42 % in 2024; and
- three of the four EU delegations visited faced significant difficulties in extracting from a Commission database a list of contracts with AfT-related DAC codes, which were necessary as a basis for providing comprehensive feedback on AfT.

Very limited measurement of impact on trade of EU aid for trade support

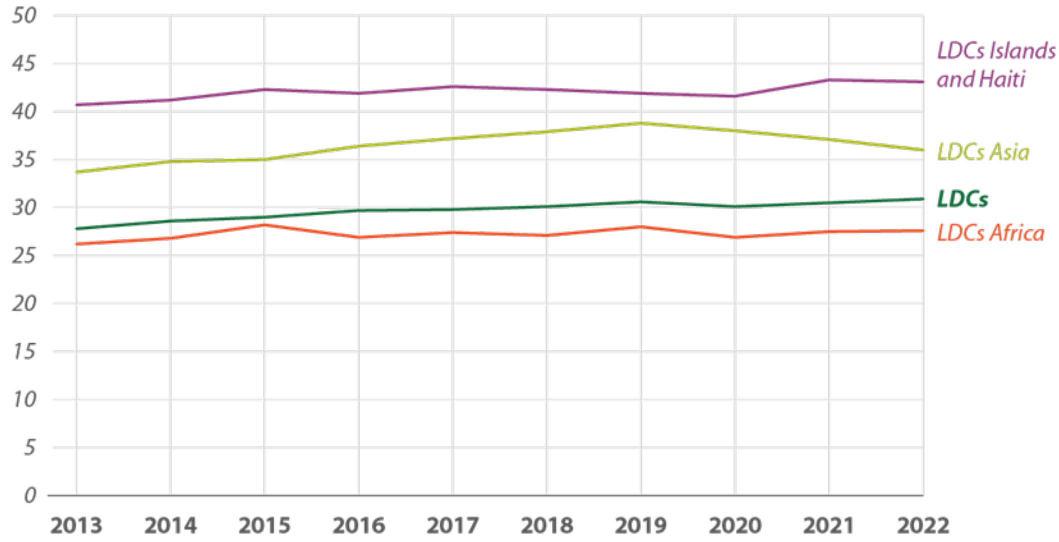
78 We acknowledge that it is difficult to assess the impact of EU AfT for least developed countries, since economic transformation also depends on government intervention, other international donors' support and multiple external factors. In particular, as indicated by the WTO, the effects of AfT beyond individual projects are difficult to establish. It is not possible to isolate or demonstrate causal relationships between inputs and impacts in terms of increasing export diversification, let alone changes in income and poverty levels.

79 The Commission reports on least developed countries' share of exports in its yearly EU progress report. The LDC share of global exports has remained around 1 % since 2011 (see *Figure 1* of *Annex I*), well below the 2 % target set by the EU AfT strategy and the relevant SDG (see paragraph *22*). Their share of exports to the EU was 2.2 % in 2022, having remained more or less unchanged since 2017.

80 A qualitative assessment of AfT support to improve least developed countries' business environment and investment climate was also included in the complementary study for the 2023 EU AfT progress report. According to 28 % of EU delegations in LDCs surveyed for this assessment, EU AfT support was aimed only slightly or not at all at improving the country's business environment and investment climate (compared to 13 % for ODCs).

81 A number of sources are available for measuring LDCs' trading capacities, but are not used by the Commission to identify how EU AfT support could contribute more to improving this situation. These include the productive capacities index, the World Bank's Logistics Performance Index, and the Trade tracker and Export Potential Map from the International Trade Centre. The productive capacities index (see paragraph *39*) is a multidimensional measure of "the productive resources, entrepreneurial capabilities and production linkages, which together determine the capacity of a country to produce goods and services and enable it to grow and develop". Based on UNCTAD figures, we note that there has been no significant improvement in the productive capacities of LDCs in recent years. This is particularly the case in African LDCs (see *Figure 7*). The index scores of three of the four countries visited (Angola, Cambodia and Malawi) even decreased between 2017 and 2022. Based on UNCTAD figures, the productive capacities index scores of LDCs remained significantly lower than those of ODCs in 2022 (30.9 for LDCs versus 46.8 for ODCs).

Figure 7 | Least developed countries' productive capacities index



Source: ECA, based on UNCTAD data.

This report was adopted by Chamber III, headed by Ms Bettina Jakobsen, Member of the Court of Auditors, in Luxembourg at its meeting of 24 June 2025.

For the Court of Auditors

Tony Murphy
President

Annexes

Annex I – About the audit

01 In developing countries, trade, and especially cross-border trade, is important for growth which can lift millions of people out of poverty. For these countries, however, and the least developed countries (LDCs) in particular, there are significant challenges that affect their access to regional and global trade. These can include a lack of productive capacity, trade barriers related to regulatory, administrative and governance practices, weak business environments, poor infrastructure, a lack of a sound system for standardisation and exports certification, a weak institutional framework, and very difficult and costly access to financing for the private sector.

Least developed countries

02 The United Nations (UN) has deemed least developed countries (LDCs) to be a category of states that for structural, historical and geographical reasons are highly disadvantaged in their development process. As such, LDCs need the highest degree of attention from the international community[1].

03 The UN defines LDCs as countries that have low levels of income and face severe structural impediments to sustainable development. To be classified as an LDC, a country must meet three criteria (on per capita income, human assets, and economic and environmental vulnerability) and consent to the classification. The list of LDCs has expanded from an initial 25 countries in 1971, peaking at 52 in 1991 and standing at 44 in December 2024. These LDCs are distributed across the following regions:

- **Africa** (32): Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, The Gambia, Guinea, Guinea-Bissau, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Togo, Uganda, Tanzania and Zambia

[1] UN recognition of the least developed countries, UNCTAD.

- **Asia** (8): Afghanistan, Bangladesh, Cambodia, Laos, Myanmar, Nepal, Timor-Leste and Yemen
- **Caribbean** (1): Haiti
- **Pacific** (3): Kiribati, Solomon Islands and Tuvalu

04 The list of countries categorised as LDCs is reviewed by the UN's Committee for Development Policy every 3 years. Between 2017 and 2024, the period covered by this audit, four countries graduated from LDC status and were classified as lower-middle-income countries: Equatorial Guinea (2017), Vanuatu (2020), Bhutan (2023) and São Tomé and Príncipe (2024). There are currently several LDCs in various stages of the graduation process, of which three (Bangladesh, Lao People's Democratic Republic and Nepal) are slated for graduation in 2026, while another three (Solomon Islands, Cambodia and Senegal) are expected to leave the LDC category in 2027 and 2029 respectively.

05 Many of the structural challenges that led to the creation of the LDC category continue to exist and new challenges have emerged. The current group of LDCs comprises around 880 million people representing 12 % of the world population. However, LDCs account for less than 2 % of world gross domestic product (GDP) and more than 75 % of the LDCs' population still lives in poverty[2]. LDCs are extremely vulnerable to the effects of climate change as they lack the resources necessary to adapt. In addition, despite the fact that all developing countries account for around 45 % of global exports, LDCs remain on the margins, accounting for only 1 %, compared to other developing countries (ODCs) (see ***Figure 1***).

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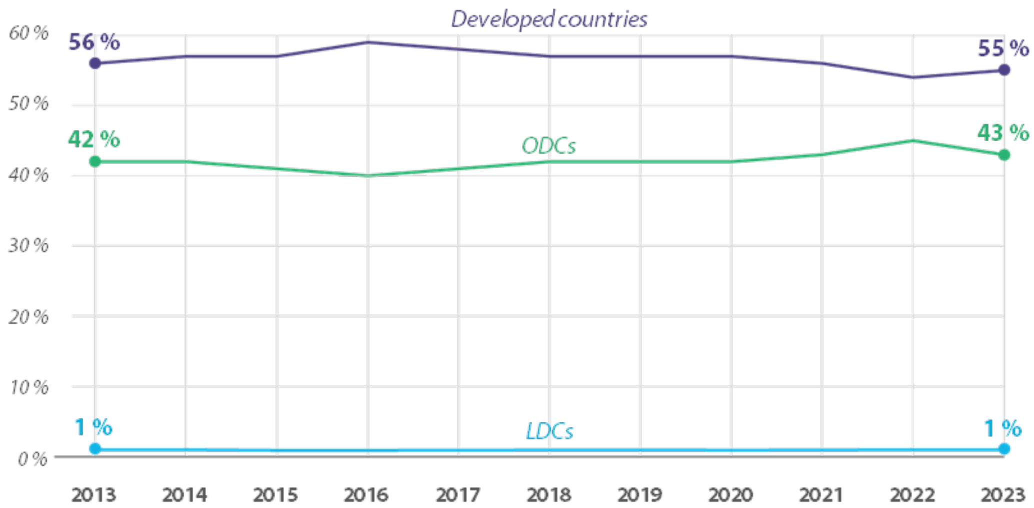
[2] UN recognition of the least developed countries, UNCTAD.

Figure 1 | Share of global exports of least developed countries compared to other developing and developed countries



Source: ECA, based on WTO and International Trade Centre data.

Note: Due to rounding, some totals may not correspond with the sum of the separate figures.

Aid for Trade

06 Aid for Trade (AfT) is an initiative which encompasses assistance aimed at helping developing countries, in particular the least developed, to build the trade capacity and infrastructure they need to benefit from world trade. Aiming to foster economic growth and sustainable development, AfT forms part of overall official development assistance (ODA) – grants and "concessional" loans (i.e. loans on more favourable terms for the borrower than market rates) – which is targeted at trade-related programmes and projects.

07 The AfT concept was first launched by the World Trade Organization (WTO)[3] at its Hong Kong Ministerial Conference in December 2005. The WTO cannot deliver development assistance itself since it is not a development agency, and instead addressed the challenge of getting the many existing development assistance mechanisms to work together more effectively.

08 To this end, in February 2006 the WTO established a task force with the aim of "operationalising" AfT. In July 2006, the task force recommended that AfT should focus on identifying the needs within recipient countries, strengthening donor response and acting as a bridge between donors and developing countries. Since trade itself is a broad and

[3] The WTO is the only global international organisation dealing with the rules of trade between nations.

complex activity, the WTO considers that AfT is also broad and not easily defined[4]. Nevertheless, together with the OECD, it has defined AfT to include the following:

- building productive capacity (including all support for agriculture, forestry, fishing, industry, mineral resources and mining, banking and tourism) – investing in industries and sectors so countries can diversify exports and build on comparative advantages;

- economic infrastructure – building the roads, ports, railways, energy facilities and telecommunications that link domestic, regional and global markets; and

- trade policy and regulations as well as trade-related adjustment – helping countries to develop trade strategies, negotiate more effectively and implement outcomes.

EU aid for trade

09 Following the 2005 WTO Conference, in 2007 the EU adopted its own AfT strategy, which was updated in 2017. There is no dedicated or ringfenced AfT EU spending programme. In recent years, EU collective AfT (according to DAC codes, from the EU and its member states combined) for least developed countries has remained relatively stable. In the period 2017-2022, EU collective AfT to least developed countries amounted to €17.2 billion, with €5.4 billion of support from the EU alone accounting for almost one third of this. Germany, France, Sweden and the Netherlands account for around 80 % of member state AfT for least developed countries.

10 In addition to AfT support, the EU has provided a preferential trade arrangement for LDCs since 2001. The EU's Everything but Arms scheme automatically grants LDCs duty-free, quota-free access to the EU market for all products except arms and ammunitions. This scheme is provided for under the Generalised Scheme of Preferences (GSP) Regulation, which gives developing countries special treatment, thereby derogating from the WTO's most-favoured-nation principle. If an LDC meets the criteria to graduate from LDC status and be classified as a lower-middle-income country, following a 3-year transition period, it will no longer benefit from access to the Everything but Arms scheme, but automatically qualifies for Standard GSP (the arrangement for low and lower-middle-income countries). Alternatively, the country may seek to benefit from GSP+, a special arrangement incentivising sustainable development and good governance.

[4] Aid for Trade fact sheet.

Roles and responsibilities

11 AfT support for least developed countries operates in a complex environment involving many stakeholders. These include least developed countries, member states (including their national development agencies, ministries and embassies), other international donors, EU delegations in the partner countries, "regional" EU delegations, Commission headquarters, the European Investment Bank (EIB), the private sector and civil society organisations.

12 The EU's mandate for AfT in least developed countries mainly falls under the remit of the Commission's Directorate-General for International Partnerships (DG INTPA). DG INTPA implements the EU's AfT strategy and support for LDCs. It aims to enhance trade for development as a key component of the EU's support for growth and job creation, and promote developing countries' integration into regional and global value chains and trade flows[5]. The Directorate-General for Trade and Economic Security (DG TRADE) is responsible for EU policy on trade with countries beyond the EU's borders, including LDCs.

13 EU delegations to LDCs, part of the European External Action Service (EEAS), also play a significant role, designing annual programmes and action plans that may include AfT if it is part of that country's strategy.

14 The EIB operates as a development bank active in AfT. In January 2022, the EIB set up a new branch, "EIB Global", to deal with all lending and other operations outside the EU. The EIB can decide to provide a sovereign loan directly without any grants involved or, in other actions, a blending grant is provided by the Commission to enable the EIB loan.

Audit scope and approach

15 Please refer to paragraph ***07*** under "Main messages" for our audit questions. The subject not having been addressed by the ECA in recent years, our report aims to contribute to improving the Commission's management of EU AfT for least developed countries and to inform decision-makers in any future revision to the governance arrangements of new AfT interventions.

16 The audit covered the period from 2017, when the EU AfT Strategy was updated, up to actions carried out in 2024. The latest available aggregate data, however, only covers up to and including 2022.

5 DG INTPA Strategic Plan 2020-2024.

17 The audit is based on extensive analysis of documentation and interviews with DG INTPA and DG TRADE at headquarters and in EU delegations, as well as interviews with EEAS staff in EU delegations. We also held meetings with the WTO, the United Nations Conference on Trade and Development and representatives from French and Dutch ministries dealing with ODA.

18 In addition to assessing EU AfT support at an aggregate level, covering all LDCs, we selected four LDCs for visits on-the-spot: Rwanda, Malawi, Angola and Cambodia. This selection was made to cover a range of LDCs differing in size, economic development and productive capacity, and external trade arrangements, and to achieve a geographical spread.

19 At EU delegation level, we examined the procedures in place for needs assessments, project selection and implementation, and monitoring and reporting of EU AfT. In addition to the EU delegation staff[6] in these four countries, we interviewed national authorities, international donors, project beneficiaries and representatives of the private sector and civil society.

20 In the four LDCs, we also selected nine interventions related to AfT for on-the-spot visits, chosen in order to cover a range of intervention types, in different sectors and at various stages of completion (see ***Table 1***). These could not include infrastructure projects, since any contracts launched in the period would not be mature enough to evaluate. For the selected interventions, we examined their links to AfT and to the needs assessment, as well as the quality of implementation and the results achieved.

[6] We also interviewed staff in other EU delegations with regional responsibility for the LDCs visited.

Table 1 | Sample of selected interventions

Country	Title	EU funding *(million euros)*
Rwanda	National Agricultural Export Development Board Laboratory	3.3
Rwanda	A market driven approach for value chain improvements and the expansion of the Rwandan coffee market	2.5
Malawi	KULIMA – Promoting Farming in Malawi	100
Malawi	Technical Assistance to Support Malawi in Bilateral and Regional Trade Negotiations	1
Angola	Supply of laboratory equipment and consumables	1.4
Angola	Train for Trade II	5.5
Cambodia	SWITCH-Garment – Promotion of sustainable energy practices in the garment sector in Cambodia	3
Cambodia	ARISE + Cambodia project – 'ASEAN Regional Integration Support – Cambodia'	7.4
Cambodia	CAPFISH Capture – Post Harvest Fisheries Development	16

Abbreviations

ACP	African, Caribbean and Pacific
AfT	Aid for trade
COMESA	Common Market for Eastern and Southern Africa
DAC	Development Assistance Committee
DG INTPA	Directorate-General for International Partnerships
DG TRADE	Directorate-General for Trade and Economic Security
EEAS	European External Action Service
EIB	European Investment Bank
EIF	Enhanced Integrated Framework
EFSD+	European Fund for Sustainable Development Plus
GDP	Gross domestic product
LDCs	Least developed countries
MIP	Multiannual indicative program
NDICI	Neighbourhood, Development, and International Cooperation Instrument
NIP	National Indicative Program
ODA	Official Development Assistance
ODCs	Other developing countries
OECD	Organisation for Economic Co-operation and Development
SADC	Southern Africa Development Community
SDGs	United Nation’s sustainable development goals
SMEs	Small and medium-sized enterprises
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WTO	World Trade Organization

Glossary

Action plan	Document establishing the steps to take to achieve a particular goal.
Beneficiary	Natural or legal person receiving a grant or loan from the EU budget for implementing a project or programme.
Blending	Practice of teaming EU grants with loans or equity from public and private financiers.
Business plan	Document summarising a company's operational and financial forecasts, and setting out how it will achieve its goals.
Civil society	Part of society, distinct from government and business, that consists of associations and other groupings representing shared interests in the public domain.
Commitment	Amount earmarked in the budget to finance a specific item of expenditure, such as a contract or grant agreement.
Concessional loan	Loan issued on terms significantly more favourable than are available on the market.
European Fund for Sustainable Development Plus	Package of EU grants, guarantees and other financial instruments to foster sustainable and inclusive economic and social development and promote socio-economic resilience, mainly in Africa and the European Neighbourhood.
EU delegation	Diplomatic representation of the EU in a non-EU country or at an international organisation.
Global Gateway	EU strategy to forge links worldwide by investing in digital, energy and transport infrastructure and strengthening health, education and research systems.
Graduation	United Nations process by which a least developed country is reclassified as a lower-middle-income country.
Impact	Wider long-term consequences of a completed project or programme, such as socio-economic benefits for the population as a whole.
Result	Immediate effect of a project or programme upon its completion, such as the improved employability of course participants or improved accessibility following the construction of a new road.
Rio marker	Indicator, defined by the OECD, of the extent to which an activity contributes to the objectives of the Rio conventions.
Sustainable Development Goals	17 goals set in the United Nations 2030 Agenda for Sustainable Development to stimulate action by all countries in areas of critical importance for humanity and the planet.
World Trade Organization	Global organisation that deals with the rules of trade between nations and acts as a forum for negotiating trade agreements and settling trade disputes.

Replies of the Commission and the European External Action Service

https://www.eca.europa.eu/en/publications/sr-2025-17

Timeline

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Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber III – External action, security and justice, headed by ECA Member Bettina Jakobsen. The audit was led by ECA Member Viorel Ştefan.

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Developing countries and the world's least developed countries in particular face significant challenges that hamper their access to regional and global trade. Assistance through aid for trade aims to help them build trade capacity and infrastructure. In 2017, the EU updated its own aid for trade strategy, with increased focus on least developed countries. We examined whether the Commission properly targeted, implemented and monitored EU aid for trade to these countries. We found that while this support is generally being delivered in line with the needs, it is not on track to meet the strategy's 2030 funding target. We make five recommendations aimed at improving the Commission's management of EU aid for trade to least developed countries.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.

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