Aid for Trade at a Glance 2007

1st GLOBAL REVIEW

OECD

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WORLD TRADE ORGANIZATION

The World Trade Organization came into being in 1995, as the successor to the General Agreement on Tariffs and Trade (GATT), which had been established (1947) in the wake of the Second World War. The WTO's main objective is the establishment of rules for Members' trade policy which help international trade to expand with a view to raising living standards. These rules foster non-discrimination, transparency and predictability in the conduct of trade policy. The WTO is pursuing this objective by:

– Administering trade agreements,
– Acting as a forum for trade negotiations,
– Settling trade disputes,
– Reviewing national trade policies,
– Assisting developing countries in trade policy issues, through technical assistance and training programmes.
– Cooperating with other international organizations.

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Foreword

This report – the first global Aid for Trade at a Glance – represents the fruit of an unprecedented collaboration not only between our two organisations, but also between the broader trade and development communities. In today's globalised world there is clear evidence that trade is a powerful engine for economic growth which is essential for poverty reduction. But many developing countries lack the basic capacity – whether in terms of policies, institutions or infrastructure – to take advantage of trade opening and a more interconnected world economy. The challenge is essentially one of global policy coherence – how to better harness trade for development, and development assistance for trade.

To address this challenge, the WTO's 2005 Hong Kong Ministerial Conference called for the expansion of Aid for Trade to help developing countries, and in particular the least-developed, benefit from WTO agreements and, more broadly, expand their trade. However, Aid for Trade is not just a question of more money. In fact, the development community has invested great efforts in improving aid effectiveness through local ownership, alignment around national systems and strategies, harmonised donor efforts and management for results. These principles encapsulated in the Paris Declaration on Aid Effectiveness have been acknowledged as the guiding principle in the delivery of Aid for Trade.

In 2006, the WTO Task Force on Aid for Trade identified a broad range of assistance activities that need to be connected in a coherent trade and development strategy to ensure that trade works for all developing countries. In particular, it called on the WTO – working with the OECD – to better monitor Aid for Trade to provide incentives for more and better Aid for Trade through enhanced mutual accountability.

Over the past year, we have worked closely together to establish a joint OECD/WTO monitoring system based on data on global flows of development aid (ODA), as well as feedbacks from donor and partner countries. This report marks the culmination of these efforts, and is the first of what we hope will become a regular "spotlight" on Aid for Trade.

We trust that this first instalment will encourage Members to contribute even more to future rounds of monitoring, ensuring that the next report offers an even wider coverage of partner countries and regional perspectives. We are aware that this task remains a work in progress – and will be looking to Members for feedback, guidance and inputs to further develop and strengthen the monitoring framework. Above all, we strongly believe that the monitoring process should do more than just count ODA flows; it should provide a tool for both donors and their partner countries to foster dialogue, to signal their commitment to the Aid for Trade Initiative and, more generally, to improve the effectiveness of Aid for Trade.

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Acknowledgements

The AID FOR TRADE AT A GLANCE 2007 was prepared under the aegis of the OECD Development Assistance Committee (DAC) and the OECD Trade Committee (TC) and in close co-operation with the WTO.

The OECD and WTO Secretariats would like to communicate their special thanks to all the governments and the international organisations that participated in this first global review of Aid for Trade.

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Acronyms

ACP	African, Caribbean and Pacific Countries
AITIC	Agency for International Trade Information and Cooperation
APEC	Asia-Pacific Economic Cooperation
ADB	Asian Development Bank
AfDB	African Development Bank
ASEAN	Association of Southeast Asian Nations
CIACEX	Commission on International Trade
CRS	Creditor Reporting System of the OECD
DAC	Development Assistance Committee (OECD)
DFID	Department for International Development (UK)
DGs	Directorate Generals of the European Commission
DTIS	Diagnostic Trade Integration Study
EBRD	European Bank for Reconstruction and Development
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development (World Bank)
IDA	International Development Association (World Bank)
IADB	Inter-American Development Bank
IF	Integrated Framework on Trade-Related Technical Assistance for Least Developed Countries
JITAP	Joint Integrated Technical Assistance Programme
ITC	International Trade Centre UNCTAD/WTO
LDC	Least developed country
LMIC	Lower middle-income country
MDGs	Millennium Development Goals
MTPDP	Medium Term Philippine Development Plan
NZAID	New Zealand Agency for International Development
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OLIC	Other low-income country

OOF	Other Official Flows
PCB	Productive Capacity Building
PEDP	Philippine Export Development Plan
PENZ	Peru’s National Strategic Export Plan
PIP	Public Investment Programme
PRSP	Poverty Reduction Strategy Papers
SADC	Southern African Development Community
SIDA	Swedish International Development Agency
SPS	Sanitary and phytosanitary standards
TCBDB	Trade Capacity Building Database
TRTA/CB	Trade-Related Technical Assistance and Capacity Building
TPR	Trade policy and regulations
UMIC	Upper middle-income country
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WCO	World Customs Organization
WTO	World Trade Organization

Executive Summary

The value of monitoring aid for trade lies in creating incentives, through enhanced transparency, scrutiny and dialogue, to provide 'more and better' aid for trade. It is about sharing information, learning from successes as well as failures, and applying policies and approaches that are proven to deliver results.

This first report takes stock of trends and developments in aid flows between 2002-2005 that are most closely related to aid for trade as defined by the WTO Task Force and subsequently endorsed by the WTO General Council. Next, it provides an overview of donor and partner country responses to the survey about their aid-for-trade strategies, pledges and delivery. The introduction sets out the WTO/OECD monitoring framework. The conclusions draw some preliminary lessons for the next round of monitoring.

A global picture of aid for trade provides the basis for a dialogue on making aid for trade work better.

The WTO Aid for Trade Task Force argued that a global picture of aid-for-trade flows is important to assess whether additional resources are being delivered, to identify where gaps exists, to highlight where improvements should be made, and to increase transparency on pledges and disbursements. For that purpose the Task Force defined aid for trade as comprising support for trade policy and regulations, trade development, trade-related infrastructure, building productive capacity and trade-related adjustment if identified as trade-related development priorities in partner countries' national development strategies. The Task Force also recommended establishing a baseline for measuring progress, so this report has identified the 2002-05 average as the starting point.

But measuring aid for trade at global level is difficult.

The WTO Task Force definition of aid for trade covers a broad set of expenditure categories as indications of donor activities which impact on partner countries' trade capacities. The OECD Creditor Reporting System (CRS) was recognised as the best data source for tracking aid for trade flows at global level, but it cannot provide data that match exactly all the above categories. Instead, it offers proxy measures for key categories. For example, the CRS can tell how much development assistance went to transport infrastructure, but it cannot show the precise share of transport infrastructure that impacts on trade. Some donors have developed their own methodologies for identifying aid-for-trade expenditures. Partner countries may want to include different expenditure elements in their particular trade development strategies (including other trade related needs). These measurement issues are addressed in the report.

Aid for trade amounted to an average of USD 21 bn. during 2002-05…

Between 2002 and 2005, donors committed on average USD 21 billion per year on the aid categories more closely associated with aid for trade. This included USD 11.2 billion to build economic infrastructure, USD 8.9 billion to promote productive capacities (including USD 2 billion for trade development), and USD 0.6 billion for increasing the understanding and implementation of trade policy and regulations. The aid-for-trade numbers in this report are based on commitments which are reflected in signed agreements between donors and partners. Next year the report will also contain data on disbursements.

...and increased by 22%.

The average share of aid for trade in total sector aid was 34% between 2002 and 2005, during which time commitments rose by 22% in real terms. The share fell slightly from 35% to 32% during that period, reflecting high levels of donors spending on social sectors, such as education and health.

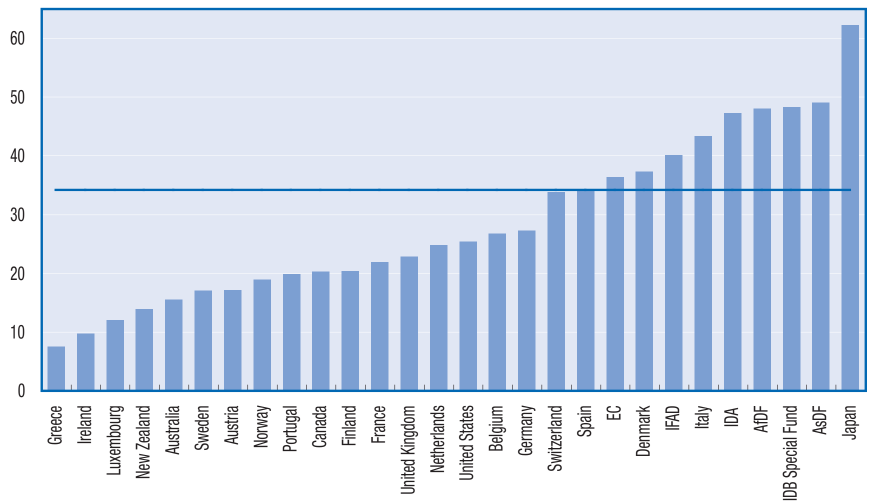
Aid for trade is an important part of donors' programmes.

Bilateral donors provide on average 31% of their sector allocable Official Development Assistance (ODA) to aid for trade. However, considerable variation across countries is also evident with shares ranging from a high of 62% in the case of Japan – driven in large part by Japan's sizeable support for economic infrastructure – to a low of 8% for Greece. In volume terms, Japan and the United States are the largest providers, which is not surprising since they are also the largest donors. Other important bilateral donors in volume terms are Germany, the United Kingdom, France and the Netherlands.

Multilateral agencies are large Aid-for-trade donors.

Large multilateral and regional institutions – *e.g.* the World Bank and the Regional Development Banks – provide around 50% of their sector programmes to aid for trade. In volume terms, the World Bank and the European Commission are also large donors, providing particularly significant support for infrastructure and productive capacity building.

Aid for Trade as a Share of Donors' Sector Allocable ODA
2002-05 average



Most aid for trade goes to Asia and to the middle income countries …

Between 2002 and 2005, Asia received 51% of total aid for trade, Africa 30%, Latin America and the Caribbean 7%, Europe 5% and Oceania 1%. Asia's predominance is driven by large allocations to economic infrastructure. Most aid for trade went to lower middle income countries (36%), followed by the least developed countries (25%).

… but there are large differences in flows per country.

Asian countries receive on average more than double the aid for trade received by African countries, while other low-income countries obtained, on average, more than twice the amount of aid for trade compared to least developed countries or lower middle-income countries.

Additional aid for trade could be available

With increased donor attention to trade, infrastructure and the broader economic growth agenda, the volume of aid dedicated to improving the capacity of developing countries to become more dynamic players in the global economy could rise significantly. If the recent annual growth rate of aid for trade (6.8%) continues, this would deliver an additional USD 8 billion by 2010, with total aid-for-trade commitments reaching USD 30 billion.

Aid for trade is being prioritised.

Almost two years after the 2005 Hong Kong WTO Ministerial Declaration, aid for trade has assumed growing importance in most donors' programmes. This enhanced profile is likely to be maintained, possibly even expanded over the medium term. The development of new strategic statements, a gamut of initiatives to strengthen in-house capacities and increased prioritisation in donor-partner dialogues are all clear indications of this trend.

Many donors possess strategies and guidance on aid for trade…

Most donors now have institutional remits, dedicated structures, as well as professional teams and operational guidance that are specifically focussed on delivering 'more and better' aid for trade. Some have long experience in fields relevant to aid for trade, while others are relative newcomers, relying on the larger donors to guide the way.

… that also address regional challenges.

Binding regional constraints, such as poor cross-border infrastructure, are clearly acknowledged in agencies' aid-for-trade strategies and some of the larger donors are already addressing them. Working at regional level, however, poses particular challenges, such as insufficient regional co-operation and concerns about asymmetric costs and benefits. Regional Development Banks are seen as the natural partners for addressing these and other regional challenges.

Hong Kong pledges are reconfirmed

Donors have reconfirmed their Hong Kong aid-for-trade pledges:

- The European Commission will provide an annual EUR 1 billion increase by 2010, with an additional EUR 1 billion from EU Member States.
- The United States will double its spending to USD 2.7 billion by 2010.
- Japan will dedicate USD 10 billion between 2006 -2008.

..and new commitments are made.

In addition, some donors such as Australia have made new commitments (AUD 0.5 billion in 2007) while others such as the Netherlands (EUR 0.5 billion annually) and the World Bank have seen an increase in demand-driven spending and expect this trend to continue.

Political commitment to prioritising trade is essential…

High level political backing to assign priority to trade in national development strategies is a key condition for donors' support. In cases where political commitment and local ownership are absent, donors increasingly seek to reinforce mainstreaming of trade by raising the issue in dialogues with partner countries. They also do this by providing support for trade-related capacity building and undertaking common needs assessments (e.g. using the Integrated Framework for Trade-Related Technical Assistance in the least developed countries).

… which partner countries acknowledge.

From partner countries, the response rate was low, but the quality very high. Despite their diverse economic characteristics, all the partner countries that answered the questionnaire consider trade development as a central element in their economic development strategies, and a number of them link success in trade to success in poverty reduction and human development.

Most partner countries possess, or will shortly possess, an aid-for-trade strategy.

Almost all partner country respondents have, or will shortly have, an aid-for-trade strategy that defines their aid-for-trade needs, which are usually developed through inclusive processes involving multiple stakeholders from the public, private and non-governmental sectors. However, in some cases, the trade strategy is not yet part of a comprehensive, government-wide, development strategy.

Most strategies have been costed.

Increasingly, partner countries have trade development strategies that have been costed. However, it is sometimes unclear what fraction of financing needs is expected to be met through ODA. Partner countries are usually able to identify constraints to trade development not currently addressed by aid. These range from deficits in physical infrastructure, to a need for customs modernisation, to general shortcomings in the areas of productivity and skills improvements. Most countries possess data on recent aid-for-trade activities and volumes.

Regional collaboration is a challenge.

Partner country respondents, like donors, noted the challenges of working at the regional level despite its importance. Some specific proposals were made, however, including making use of ASEAN as a framework for its members to meet international technical standards; better estimation of the costs of removing constraints to regional Free Trade Agreements; and the establishment of regional trade/market information systems.

Delivering aid for trade is guided by the Paris Declaration on Aid Effectiveness.

Donors and partners agree without exception, that the Paris Declaration on Aid Effectiveness sets out the principles that should guide the delivery of aid for trade. The commitment to these principles, which encapsulate decades of lessons learned and which set out clear guidance on how to deliver aid most effectively, was evident in all responses. However, putting these principles more broadly and widely into practice requires continuing effort and attention. There is little evidence to date, therefore, on results that can be translated into policy improvements.

Donors are harmonising procedures and aligning their support, but partners note that more remains to be done.

Reducing transaction costs associated with delivering aid for trade is also emphasised by donors and partners. On a business as usual basis, transaction costs can be expected to increase significantly as aid for trade is scaled up. Donors will need to work aggressively to reduce these costs by increasing complementarity, making greater use of local systems, expanding the use of delegated co-operation and better integrating their programmes with local spending plans. Partner countries confirmed the importance of harmonisation and encouraged co-ordinated analyses of trade development needs.

Managing for results and practicing mutual accountability is challenging.

Increasingly, donors and partners are engaged in joint monitoring and evaluation of programmes that fall within the scope of the aid-for-trade initiatives. Orienting aid-for-trade activities towards achieving desired results (*e.g.* management for results) and being accountable to each other for these results (*e.g.* mutual accountability) is a clear challenge. Some partner countries have established a national Aid for Trade Committee, or equivalent body. In most countries a wide range of actors is involved in reviewing progress on aid-for-trade commitments.

The broader aid effectiveness agenda points to the way forward.

Donors and partners agreed that these challenges in delivering aid for trade effectively are not unique, but are, in fact, part and parcel of the broader aid effectiveness agenda. The approach of the Paris Declaration, in setting out clear and mutually supporting objectives and monitoring progress towards them, might thus be adapted for the aid-for-trade initiative. In doing so, it would help provide focus to this part of the initiative.

The next monitoring round should encourage best practices, involve greater partner-country participation, and better integrate the regional dimension.

The value of monitoring aid for trade will be maximised if it can be used as a tool to encourage and share best practice. It is also essential that partner countries participate more fully in the monitoring of aid for trade. This might require changing the questionnaires to ensure that partner countries benefit directly from answering them and not just from the outcome of the whole monitoring exercise. Finally, the monitoring framework as designed is very much focused on countries. More efforts are needed to integrate the regional dimension.

Introduction
Putting a Spotlight on Aid for Trade

Assistance to build supply-side capacity in developing countries has a long history. Each year, around a fifth of Official Development Assistance (ODA) is dedicated to building supply-side capacities including those needed to engage in international trade in low and middle income countries. However, reviews of a number of bilateral donor and multilateral agencies' evaluations show that direct effects on raising export competitiveness have been difficult to substantiate. Yet, knowledge on the effectiveness and the impact of trade-related assistance is of great urgency if donor and partner countries want to raise the profile of aid for trade in their development strategies. Creating effective aid-for-trade programmes requires that they are designed and managed with clear and specific objectives. This, in turn, demands a system of mutual accountability between donors and partner countries.

This logic is also the basis of the World Trade Organization (WTO) Aid for Trade Task Force Recommendations. In order to enhance the credibility of aid for trade the Task Force recommended that two accountability mechanisms be established: one at a national or regional level and one at a global level. Once these are operational, strengthened aid-for-trade structures within countries should improve local ownership and management for results. The periodic WTO Global aid-for-trade reviews, and their corrective feedbacks, will help to ensure that locally identified needs – whether financial or performance related – are addressed.

This introductory chapter describes the aid-for-trade monitoring framework that has been jointly developed by the WTO and the Organisation for Economic Co-operation and Development (OECD) to provide an accountability mechanism at global level. It starts by setting out the monitoring objectives. Next, it elaborates the three-tiered approach to elicit qualitative and quantitative information from donors and recipients.

Strengthening mutual accountability

Aid is not a new subject in the General Agreement on Tariffs and Trade (GATT)/WTO. The key innovation of aid for trade is, however, the introduction of a monitoring framework in the WTO. It is likely that this reporting process will raise awareness and facilitate the mainstreaming of trade in development strategies. For countries with already high levels of awareness, the process should generate more actionable results such as better tracking of aid flows, stronger involvement of stakeholders in the prioritisation and implementation process, country ownership, prioritised and budgeted action.

Embedding the monitoring of aid for trade in the WTO offers a unique opportunity to reinforce mutual accountability and engineer a step-increase in aid effectiveness. By putting a spotlight on aid for trade, the WTO/OECD monitoring mechanism aims to achieve four key objectives:

i) Raise awareness among aid and trade administrations in both donor and partner countries about the potential gains in economic growth and poverty reduction that could be obtained when trade-related supply-side capacity constraints are addressed.

ii) Enhance transparency on aid targeted at helping developing countries build their productive and supply-side capacities to benefit from trade.

iii) Improve the quality of aid for trade by providing incentives to donors and partners to better apply the principles of the Paris Declaration on Aid Effectiveness and in particular to focus on results and creating quality improvement loops through the dissemination of lessons of experience, best practices, shortcomings, and providing incentives for corrective actions.

iv) Establish a clear link between "demand" and "response" of aid for trade at country, regional and global levels.

The WTO aid-for-trade reviews will also provide a visible platform for other interested parties, such as non-governmental organisations (NGOs), academics, businesses, and the press, to get involved and increase peer pressure among donors and partner countries. Over time, the WTO aid-for-trade monitoring mechanism should evolve to become an effective and highly visible platform that donors and partners can use to analyse results and disseminate best practice.

A three-tiered monitoring framework

The WTO Task Force on Aid for Trade noted that "additional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid for Trade mandate". In addition, it recommended that "in order to measure additionality and the adequacy of funding available to meet the Aid for Trade needs of developing countries, including those associated with a successful completion of the Doha Development Agenda, an account of what is being done today needs to be established as part of that process".[1]

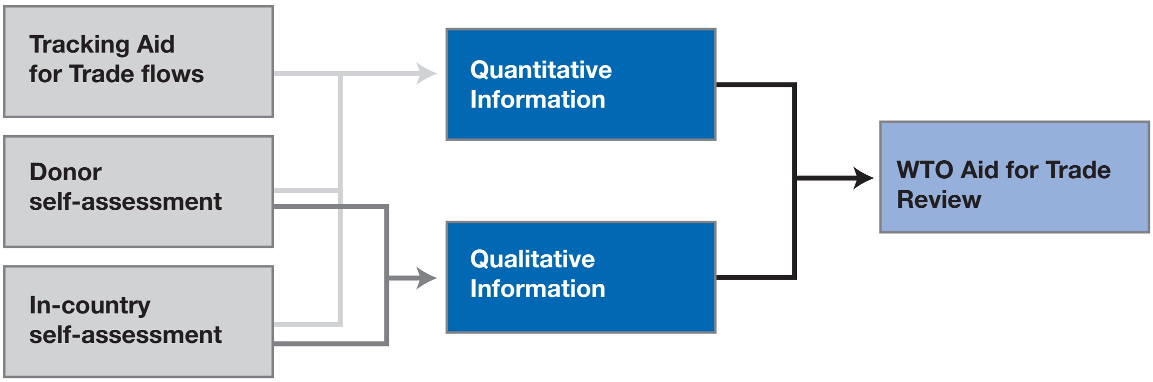
The Task Force underscored that all providers and recipients of aid for trade have a responsibility to report on progress and results, and to increase confidence that aid for trade will be delivered and used effectively. Donors were invited to report, among other things, on the volume of funds dedicated to aid for trade, how they intend to meet announced aid-for-trade targets, the forms of aid for trade they support, and progress in mainstreaming trade into aid programming. Partner countries were invited to report on various issues including trade mainstreaming in national development strategies, the formulation of trade strategies, aid-for-trade needs, donor responses, implementation and impact.

The OECD and the WTO have collaborated closely in setting up an aid-for-trade monitoring framework. This framework aims to elicit critical quantitative and qualitative information from donor agencies and their partner countries to provide a comprehensive picture of aid for trade and allow the international community to assess what is happening, what is not, and where improvements are needed.

1. See WTO DG report to the General Council [JOB(06)262)].

A three-tiered system (*e.g.* global, donor and partner country tiers) has been developed for the monitoring of aid for trade, as depicted in Figure 1.

Figure 1. The three-tiered aid-for-trade monitoring framework



Each tier performs a distinct function, as follows:

i) The first tier provides a global picture of annual aid-for-trade flows based on statistical data from the OECD/Development Assistance Committee (DAC) Creditor Reporting System (CRS) database. Clearly, data on global flows are important in order to assess whether additional resources are made available, to help identify where funding gaps remain, to highlight where resource reallocation might be appropriate, and to increase transparency on pledges and disbursements. The results of the first tier monitoring are set out in Chapter 1.

ii) The second tier relies on donor self-evaluation. In seeking specific inputs from donors, this level of reporting allows for refining the quantifications of aid for trade derived from the CRS database. In addition, this second tier of monitoring also aims to uncover qualitative information on best practices and how, in the case of aid for trade, donors adhere to the principles of the Paris Declaration on Aid Effectiveness. The results of the second tier monitoring are highlighted in Chapter 2.

iii) The third tier relies on self-assessments provided by partner countries. This tier allows partner countries to define which activities in their national development strategies are identified as trade development priorities. As such, it permits partner countries to refine the quantification of aid for trade. It also elicits additional qualitative information on how partner countries adhere to the principles of the Paris Declaration on Aid Effectiveness. The results of the third tier monitoring are discussed in Chapter 3.

The monitoring system offers both quantitative and qualitative information. The quantitative information is extracted from the Creditor Reporting System database and further refined by donor and partner countries (see the discussion of methodology in Annex II). The qualitative information is obtained through two structured questionnaires tailored to the donor community and to partner countries. Each questionnaire is organised around four themes:

- What is your aid-for-trade strategy?
- How much aid for trade do you provide/receive?
- How do you implement your strategy?
- And do you participate in mutual accountability arrangements?

Under each theme, questions are designed to elicit information to improve trade development strategies, better identify the gaps between needs and actual support, encourage a more precise tracking of aid for trade, reduce aid for trade transaction costs, and better assess impacts (see the OECD/WTO Questionnaires on Aid for Trade in Annex IV).

Monitoring the delivery and impact of aid in intergovernmental organisation not primarily focussed on development is a unique form of mutual accountability. It will force aid agencies to show results to their colleagues in trade ministries. In partner countries, it will enable trade ministries enabled to push for trade as a priority in national development plans. In short, monitoring aid for trade will provide incentives for strengthened inter-ministerial co-operation in both donor and partner countries. At a global level, it will help to focus efforts of donors and partner countries to focus on those areas where the potential impact of providing aid to address binding constraints to trade is largest.

Developing a credible monitoring mechanism is work-in-progress. It is important that monitoring does not become a passive activity but is complemented and reinforced by an active review process that promotes change by submitting feedback to donor and partner countries, providing an environment for dialogue, knowledge-sharing, exchange of best practices and information on unfunded trade-related priorities and available donor funding. This report provides a spotlight on aid for trade. The next monitoring report will provide more in-depth analysis of aid-for-trade efforts at country level, and best practices as well as more comparable data on aid-for-trade delivery practices across donor and partner countries.

Chapter 1
Global Aid for Trade Flows

1. Introduction

This chapter provides an overview of global aid flows in the aid categories that are most closely related to the definition of aid for trade recommended by the WTO Task Force and subsequently endorsed by the WTO General Council. Data on these categories are thus referred to as "aid for trade" in this report. The chapter highlights longer-term trends and the prospects for additional aid for trade. It identifies the main providers of aid for trade (including non-DAC donors where data are available) in volume terms and in terms of the shares of each donors' sector allocable aid. Finally, it considers the main recipients of aid for trade and analyses aid-for-trade patterns across regions and income groups.

The WTO Task Force defines aid for trade in terms broad enough to reflect the diverse trade needs identified by developing countries, and clear enough to establish a boundary between aid for trade and other development assistance of which it is a part. More specifically, projects and programmes should be considered as aid for trade if they have been identified as trade-related development priorities in the national development strategies of the recipient country. At the same time, clear and agreed benchmarks are necessary for reliable global monitoring of aid-for-trade efforts. Consequently, the Task Force has concluded that aid for trade comprises the following six categories:

(a) Trade policy and regulations;

(b) Trade development;

(c) Trade-related infrastructure;

(d) Building productive capacity;

(e) Trade-related adjustment; and

(f) Other trade-related needs.

In order to assess additionality and the adequacy of funding, the Task Force emphasised the need to establish a clear baseline measure of what is being done today. The baseline period of 2002-05 starts with the launch of the Doha Development Round in November 2001 and ends with the 2005 Hong Kong WTO Ministerial Conference. The latest year for which data are available is 2005. Data for 2006 will become available during 2008.

Measuring aid for trade is difficult:

- Almost by definition, data on global aid for trade present a significant over-estimation of the actual volume. For instance, economic infrastructure, which is used throughout this report as a proxy for trade-related infrastructure, includes many infrastructure projects aimed at improving the welfare of the domestic population and not the country's trade capacity. As explained in Annex II, it is almost impossible at the global level to provide a sound criterion that differentiates between trade-related infrastructure and general economic infrastructure.

- The CRS categories included in this report are unable to capture volumes of trade-related adjustment and other trade-related needs as defined by the WTO Task Force. There is no suitable proxy for other trade-related needs. The only available proxy for trade-related adjustment is general budget support, but as this includes funding for many objectives that are not trade specific, it has been decided to exclude it from the core analysis. Data on general budget support are included in Annex II. However, donors reporting to the OECD database have agreed that starting in 2008 they will collect specific trade-related structural adjustment data for 2006. After that, further monitoring reports will contain data on trade-related adjustment.

- Finally, it should also be noted that the data cited in this report cover aid commitments. Data on commitments reflect donors' current aid priorities, but they are larger in volume terms than disbursements and commitments made today are not usually implemented until sometime in the future. Furthermore, it is important to highlight that the data in this chapter only covers ODA flows up to 2005 and cannot therefore track progress on the pledges made in the 2005 at Gleneagles and Hong Kong. Future reports will contain actual disbursement data and track progress made towards meeting these pledges.

Since aid for trade consists of those projects and programmes that have been identified as such by partner countries in their development strategy, only the partner countries and to some extent the donors can provide a more accurate picture of the true aid-for-trade volume. The donor and partner questionnaires aim to collect this information by asking both donors and partners to identify which projects in the overall aid-for-trade envelope they consider to be primarily aimed at promoting capacities to trade. Additional key data and methodological issues are discussed further in Annex II.

Box 1. "Other Official Flows" for Trade

The data in this report include only Official Development Assistance (ODA). ODA is defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are: (i) provided by official agencies, including state and local governments, or by their executive agencies; and (ii) each transaction of which: (a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) is concessional in character and conveys a grant element of at least 25% (calculated at a rate of discount of 10%).

Hence, the large volume of non-ODA and low-concessional financing, such as Other Official Flows (OOF), is excluded from the global monitoring of aid-for-trade flows. Nonetheless, it is important to highlight the crucial role that such funding provides to the financing of trade-related activities. During the 2002-05 baseline period, OOF resources were equivalent to grants and concessional lending financing.

Financing for Trade
Commitments in billions USD 2005 constant prices

	2002	2003	2004	2005	Average 2002-2005
Non/low concessional lending (OOF)	12,2	11	9,2	10,1	10,6
Concessional lending	9,9	9,9	10,3	10,1	10,1
Grants	7,9	9,7	13,7	11,5	10,7

Source: Creditor Reporting System

Moreover, OOF is provided only by a few actors with five IFIs accounting for 99% of the funding. The IBRD, the financing arm of the World Bank is by far the largest source of OOF with an average of USD 3.6 Billion committed per year during the baseline period. The Asian Development Bank (ADB) has been steadily increasing its commitments from USD 2.8 Billion in 2002 to 3.2 Billion in 2005. The European Commission was also a major provider of OOF in 2002 and in 2003 but stopped reporting in 2004 and 2005. Financing from the Inter-American Development Bank (IADB) seems to fluctuate considerably over the years passing for example from over USD 2 billion in 2002 to barely reach USD 1 billion in 2004. The African Development Bank (AfDB) is the smaller of the big players with OOF figures fluctuating around the USD 1 billion mark during the baseline period.

2. What is the trend?

i) *Strong real growth in aid for trade*

Between 2002 and 2005 total aid-for-trade commitments from bilateral and multilateral donors rose by 22% in real terms, from USD 17.8 billion to USD 21.7 billion. This represents an annual rate of growth of 6.8% and a welcome contrast with the long-term declining trends present since the mid 1970s.

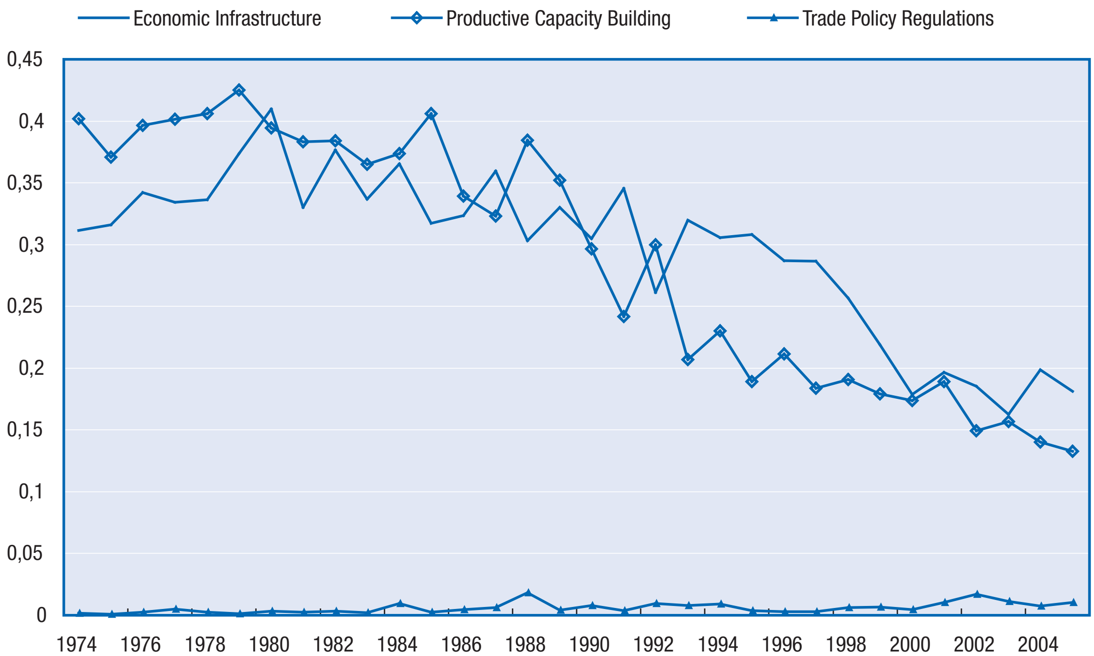
For example, in 1988, spending on building productive capacity reached over USD 16 billion in 2005 constant prices compared with the barely USD 9 billion during the 2002-05 baseline period. This decline was far from compensated by aid to economic infrastructure which remained around USD 10-12 billion per year since its peak in the early 1990s or by assistance to Trade Policy and Regulation, which entails much smaller financial flows.

The increase in flows during 2002-05 has however been insufficient to reverse the declining trend of aid for trade as a share of total sector allocable ODA. Indeed, over that same period total sector allocable ODA increased by 27%, from USD 51 billion to USD 67.5 billion. Consequently, aid for trade as a share of total sector allocable ODA fell from 35% in 2002 to 32% in 2005 (Table A1.1, Annex I).[2] Many factors lie behind this relative shifting of resources. For instance, during the 1990s, political support for the public ownership model for utilities declined in many OECD countries, with a concomitant expansion of public-private partnerships. This development has probably contributed to donors reducing aid for economic infrastructure, on the assumption that private-sector actors would fill the funding gap (an assumption that has, with hindsight, largely proved mistaken).

2. For an updated overview of global aid for trade flows, see: http://www.oecd.org/document/17/0,3343,en_2649_34447_38341265_1_1_1_1,00.html

At the same time it is interesting to note that until 1990, aid for building productive capacity was larger than assistance to economic infrastructure projects. As Figure 2 shows, there is no doubt that a major change in the aid policies took place in the 1990s with aid priorities shifting from economic infrastructure and building productive capacity (which together accounted for nearly 80% of sector allocable ODA during the 1970 and the 1980) to social sectors such as education and health.

Figure 2. Long term evolution of Aid for Trade Categories
Share of Sector Allocable ODA (in commitments)



Source: Creditor Reporting System

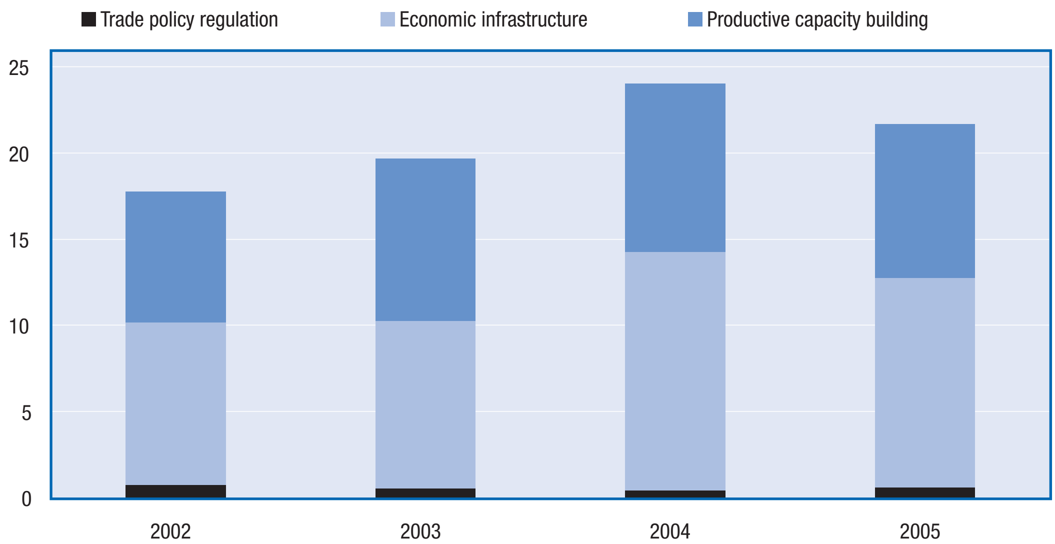
In addition, the overarching goal of poverty reduction enshrined in the Millennium Development Goals (MDGs) has accentuated this trend and further shaped the programmes of the development community towards social sectors. The ensuing social focus in many partner countries' Poverty Reduction Strategy Papers (PRSP) has oriented aid towards social sectors and away from tackling poverty *via* growth, trade, investment and employment. Furthermore, the original Heavily Indebted Poor Countries (HIPC) initiative also focused on promoting social sectors as a precondition for debt relief. These and other considerations need to be factored into an exploration of donor motivations and conditions in partner countries, that underlie the relative decline in aid for trade as a share of sector allocable aid.

iii) Infrastructure is the dominant and most dynamic aid for trade category.

The main categories of bilateral and multilateral commitments to aid for trade during 2002-05 are shown in Figure 3 and Table A1.1 (Annex I). Given the large size of typical infrastructure projects, aid to support the development of economic infrastructure naturally dominates overall volumes of aid for trade, at 54%. Indeed, aid to economic infrastructure (transport and storage, communications and energy) – a proxy for the WTO Task Force category 'trade-related infrastructure' – has been growing at over 12% annually between 2002 and 2005, making this both the largest and most dynamic category of aid for trade.

Data on economic infrastructure serves as a proxy for trade-related infrastructure because a given form of infrastructure might be trade-related in one context but unrelated to trade in another. An energy project might have a significant impact on trade in one context – if primarily servicing a tourism complex for example – but have limited or no trade impact in another, if bringing electricity to rundown urban neighbourhoods. In order to know how closely the data on economic infrastructure match the true numbers on trade-related infrastructure, comparison is necessary with donors' knowledge of the specific features of their infrastructure aid.

Figure 3. Aid for trade (bilateral and multilateral) by category (2002-05)
Commitments, USD billion (2005 constant prices)



Source: OECD DAC and Creditor Reporting System.

By contrast, aid-for-trade policy and regulations, usually delivered through technical assistance, accounts for the smallest share of aid-for-trade flows, at 3%. Trade policy and regulations (TPR) covers activities that support the effective participation of developing countries in the multilateral trading system. This type of support builds local capacities to: (i) formulate a broadly-supported national trade policy; (ii) participate in trade negotiations; and (iii) implement trade agreements. According to CRS data, TPR has decreased 20% during 2002-05. However, according to the joint WTO/OECD database[3], the annual growth rate over the baseline period is 3%. This probably reflects the growing importance of Trade Capacity Building Trust Funds (see Box 2) as well as increased support from non-DAC donors.

Aid flows towards Trade policy and regulations are too small to discern a clear trend (see Figure 2). However, the underlying data shows two clear peaks. The first peak occurred in 1988 – two years after the launch of the Uruguay Round - when more than USD 700 million was committed to TPR instead of the usual figure in tens of millions prevalent during the previous decade. The impact of the GATT negotiations is noticeable with rapid increases starting to take place from 1986, peaking in 1988, and declining rapidly until negotiations resumed in 1992. A very similar pattern emerges since 2000, with

3. This report is based on the CRS records and not the joint OECD/WTO database. Unfortunately, while this choice ensures consistency in the data throughout this report, it means that non-DAC donors are not covered in the bulk of the report. Specific mention of their contributions is made in section 4 and in Box 2 on Trade-Related Technical Assistance Database.

a strong peak of assistance to trade policy and regulation occurring in 2002 in response to the launch of the Doha Development Agenda and a slow decline since. This close link with the multilateral trade agenda might not reflect as closely as it would seem partner countries' needs which also depend on their bilateral and regional trade policy agenda.

Activities to enhance productive capacities are captured in the CRS under the following categories: banking and financial services; business and other services; agriculture; forestry; fishing; industry; mining; and tourism.[4] These categories include, but do not record separately, trade-specific components. Thus, in this report, trade development is not reported as a separate category (except in Box 2, which summarises the available data). During 2002-05, annual bilateral and multilateral commitments to productive capacity building (PCB) averaged USD 8.9 billion (Table A1.1, Annex I) and grew at just above 2% annually in real terms. Agriculture – which captures around half of the assistance in this category – and mining were the most dynamic sectors, growing above 7% annually in real terms. This growth might be a response to the upturn in international commodities prices, which could increase the incentives to invest in productivity enhancement.

3. Will there be additional aid for trade?

In 2006, total ODA stood at USD 103.9 billion, down by 5.1% from 2005. This fall was predicted. ODA was exceptionally high in 2005 due to large debt relief operations (notably for Iraq and Nigeria) which boosted ODA to its highest level ever at USD 106.8 billion. In 2006, net debt relief grants still represented a substantial share of net ODA, as members implemented further phases of debt relief agreements, providing a little over USD 3 billion for Iraq and nearly USD 11 billion for Nigeria. Excluding debt relief, ODA fell by 1.8%. ODA is expected to fall back slightly again in 2007 as debt relief for Nigeria and Iraq tapers off. Other types of aid should then increase as donors fulfil their more recent pledges.

A range of financial support will clearly be necessary to increase the capacity of less-advanced developing countries to become more dynamic players in the global economy. The scaling up of aid potentially provides scope for this. If all donor commitments are met, total ODA will increase to USD 130 billion by 2010, that is USD 50 billion above its 2004 level and twice the amount spent in 2000. With renewed donor attention to the broader economic growth agenda and commitments signalled by, for example, the United States, Japan, the European Commission, the United Kingdom, Finland and other European countries[5], it seems reasonable to assume that the volume of ODA to help developing countries participate more effectively in international trade could also rise.

On the basis of the Secretariat's simulations of the scaling up of aid[6], two scenarios for additional aid for trade have been developed for 2005-10, as illustrated in Figure 4. The scaling-up effect alone (*e.g.* keeping the aid-for-trade share over net ODA constant) could deliver an additional USD 8.5 billion, a 48% increase over the 2002 total of USD 17.8 billion. Doubling the 2005 volume of aid for trade, to USD 43.4 billion, would result in aid for trade accounting for 33% of total ODA. Simply extrapolating

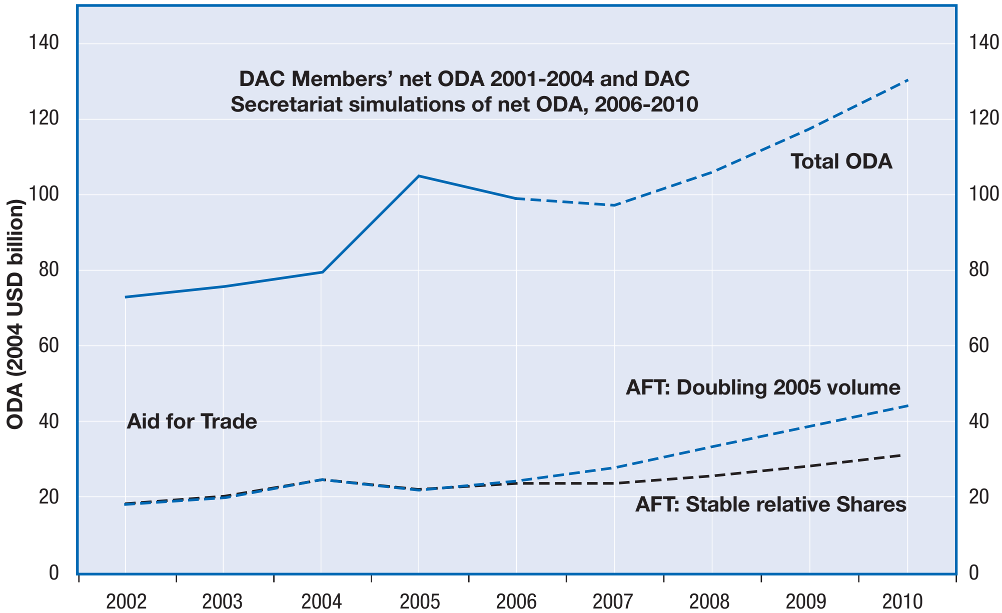
4. Note that data on support to productive capacity building include the data on assistance to trade development.

5. The United States confirmed its announcement in Hong Kong of plans to more than double its contribution to trade-related assistance from USD 1.3 billion in 2005 to USD 2.7 billion by 2010. Japan confirmed its Hong Kong pledge of providing USD 10 billion in financial assistance in trade, production, and distribution infrastructure over the period 2006-08.The European Commission confirmed its Hong Kong pledge of increasing assistance to trade policy regulation and trade development to EUR 1 billion annually by 2010. The *Joint EU Aid for Trade Strategy* entails a collective pledge to increase Member States' spending on these activities to EUR 1 billion per annum by 2010.

6. It should be stressed that these are simulations. The actual supply of ODA will depend on DAC members approving aid budgets and delivering ODA at the level indicated in their public statements on future volumes of aid.

the recent annual growth rate of aid for trade (6.8%) would deliver an extra USD 8 billion by 2010, with aid-for-trade commitments reaching USD 30 billion (at constant 2005 prices).

Figure 4. Growth scenarios in aid for trade



Source: OECD

It should be noted however, that developing countries need to take a pro-active stance to make this happen. The principle of country ownership implies that it is their responsibility to assign greater priority and clearer definitions to their trade and growth strategies in order to effectively accelerate their successful integration into the world economy, a process which donors have expressed a willingness to support financially. Furthermore, if these programmes prove to have an impact on economic growth and poverty reduction it is likely that additional aid for trade funds will become available.

4. Who are the main providers?

i) *Aid for trade volumes*

Between 2002 and 2005, four donors dominated global aid-for-trade delivery in terms of volume: Japan, the United States, the International Development Association (IDA) and the European Commission. This is not surprising since they are also the largest overall providers of ODA (Table 1).[7] Together, these four donors fund almost two thirds of all aid-for-trade activities. Other important bilateral donors by volume are Germany, the United Kingdom, France and the Netherlands. The ADB and the AfDB are sufficiently large providers of aid for trade in their respective regions to join the top-ten list globally. Taken together, the ten largest bilateral donors and multilateral agencies currently

7. Data on the aid for trade volumes provided by all DAC donors and selected multilateral donors are contained in Table A1.2 (Annex I).

fund 86% of global aid-for-trade activities. The ADB, the AfDB, the IDA and Japan all provide over 80% of their aid-for-trade commitments in the form of loans.

Table 1. Top 10 donors of aid for trade (2002-05 average)
USD millions, commitments (2005 constant prices)

	Aid-for-trade commitements	Donor's share of all aid for trade	Donor's share of loans in AfT commitments
Japan	4 764	22,8	82,0
United States	3 423	16,4	..
IDA	3 099	14,8	91,8
EC	2 403	11,5	12,8
Germany	1 140	5,4	48,1
AsDF	724	3,5	96,8
United Kingdom	711	3,4	..
France	660	3,2	60,5
AfDF	574	2,7	96,2
Netherlands	512	2,4	..

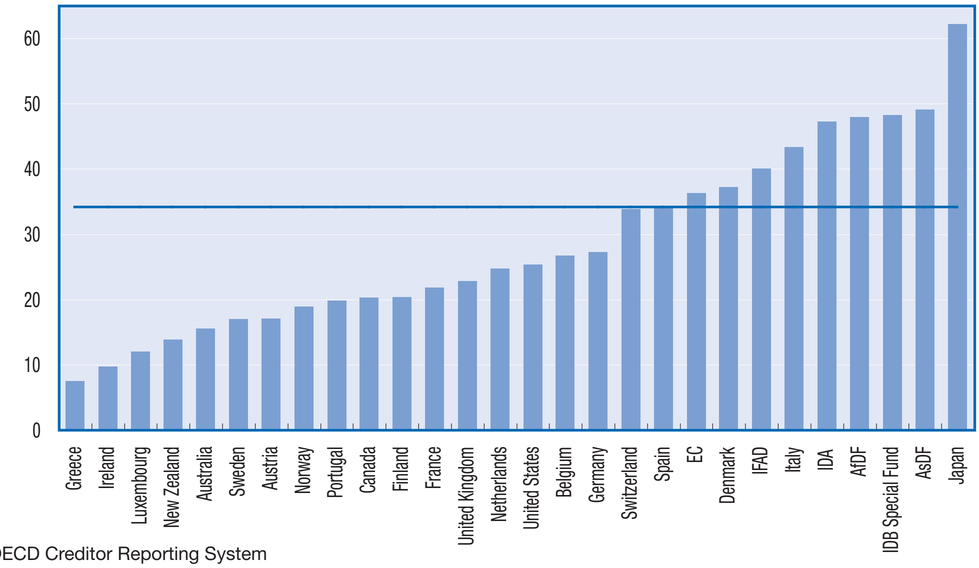
Note: .. Signifies that no loans were reported to the CRS.
Source: OECD DAC and Creditor Reporting Systems

The predominance of a limited number of bilateral donors and international financial organisations is due to the fact that these are important providers of support for capital-intensive activities such as economic infrastructure and building productive capacity. For example, Japan is by far the largest provider (33% of the total) of support to building economic infrastructure, while the "big four" share equally in over half of the support for building productive capacity in developing countries. The European Commission and the United States provide nearly two thirds of total donor support for improving the understanding of trade policy and regulations. IDA and Japan are less dominant in this area, which is of course much less capital-intensive. Medium-sized donors such as Canada and Australia join the ranks of the ten largest bilateral donors supporting trade policy and regulations.

ii) Aid for trade shares in donors' programmes

The ranking of donors changes significantly however, when they are placed according to the share of aid for trade in total sector allocable aid. While Japan, IDA and the regional development banks have the highest aid for trade as a proportion of their sector-allocable programmes (between 47% and 62%), a number of medium-sized donors such as Denmark, Italy and Spain also display high shares (between 37% and 43%; see Figure 5). These donors, who provide relatively large volumes of support for economic infrastructure and productive capacity building, appear among the top ten in terms of aid for trade as a share of their sector allocable programmes. The lowest share is found among the smaller bilateral donors, such as Greece (7.6%) and Ireland (9.7%), while among the G-8 donors Canada, France, Germany, the United Kingdom and the United States have shares below 30%.

Figure 5. Aid for trade as a share of bilateral and selected multilateral donors' sector allocable ODA
2002-05 average



Source: OECD Creditor Reporting System

iii) Non-DAC donors

Seven non-DAC bilateral donors have reported activities to the WTO/OECD database: in particular China, Hungary, Iceland, India, Korea, Kuwait and Thailand. However, China reported only in 2001. In total they reported USD 11 million in support of trade policy and regulations and trade development. Hungary, India and Kuwait only reported their contributions to trade policy and regulations, while China and Iceland reported their support only to the trade development category. Korea and Thailand reported to both categories. The 2002-05 annual average volume of Korea's aid for trade is USD 1.7 million, equally divided between the two categories of trade policy and regulations and trade development. The main destination is Asia, but there are also funds aimed at the other regions. Korea also contributed to the International Trade Centre (ITC) and the WTO trust funds. Iceland, China and India reported support to the WTO trust fund. In view of China's and India's rapidly increasing aid and trade-related presence in Africa and elsewhere, it would be valuable if relevant activities were reported more comprehensively and regularly. However, these donors do not report to the CRS and therefore are not included in this report. The questionnaires used for monitoring of aid for trade could be employed in future to obtain data on the aid-for-trade flows provided by these and other non-DAC donors.

5. Who are the main recipients?

i) Countries

The top ten recipients of aid for trade receive 46% of total aid for trade (Table 2).[8] With the exception of Serbia, the top ten recipients are populous developing economies, a factor that contributes to the

8. Afghanistan, Iraq and Turkey have been omitted from the analysis in this section. They are statistically outliers and their inclusion makes the analysis of patterns in the allocation of aid for trade biased. However, this does not imply that assistance to these countries is not trade-related. It is however driven by very specific circumstances. Afghanistan and Iraq recently received massive amounts of aid in 2003-04 to rebuild their war-torn infrastructure and Turkey has recently received a large volume of aid to finance the construction of the Istanbul metro.

high absolute volumes of aid they receive. Seven of the top ten aid-for-trade recipients are located in Asia (*i.e.* Vietnam, India, Indonesia, Pakistan, Bangladesh, China and Sri Lanka). Ethiopia, with 2.3% of total aid for trade, is the only country from sub-Saharan Africa in the top ten. It is notable is that in addition to receiving large volumes of aid for trade, many of the top recipients allocate an above-average share of their sector aid to aid for trade. Sri Lanka, Egypt, Indonesia and Viet Nam all have shares of aid for trade in sector aid above 50%, with Ethiopia having a share over 40%. Trade clearly figures highly in the priorities these countries assign to their aid needs.

Table 2. Top 10 recipients of aid for trade (2002-05)
USD millions, commitments (2005 constant prices)

Region	Income Group	2002	2003	2004	2005	Baseline average 2002-2005 (volume)	*AfT over total world AfT (%)b*	AfT over total sectoral ODA	Aid as a percentage GNI (2005)
Asia	Other Low Income	1 455	1 130	1 495	1 484	1 391	9	51	3,7
Asia	Other Low Income	1 196	1 462	1 757	1 097	1 378	9	38	0,2
Asia	Lower-Middle	596	1 366	1 322	925	1 052	7	52	0,9
Asia	Lower-Middle	858	1 070	506	399	708	4	29	0,1
Asia	Least-Developed	509	863	777	347	624	4	32	2,1
Africa	Lower-Middle	619	480	540	389	507	3	51	1,0
Africa	Least-Developed	367	542	422	564	474	3	42	17,1
Asia	Lower-Middle	591	373	336	364	416	3	54	5,1
Europe	Lower-Middle	376	369	351	364	365	2	35	..
Asia	Other Low Income	383	508	186	292	342	2	36	1,5
		6 950	**8 162**	**7 691**	**6 223**	**7 257**	**46,0**		

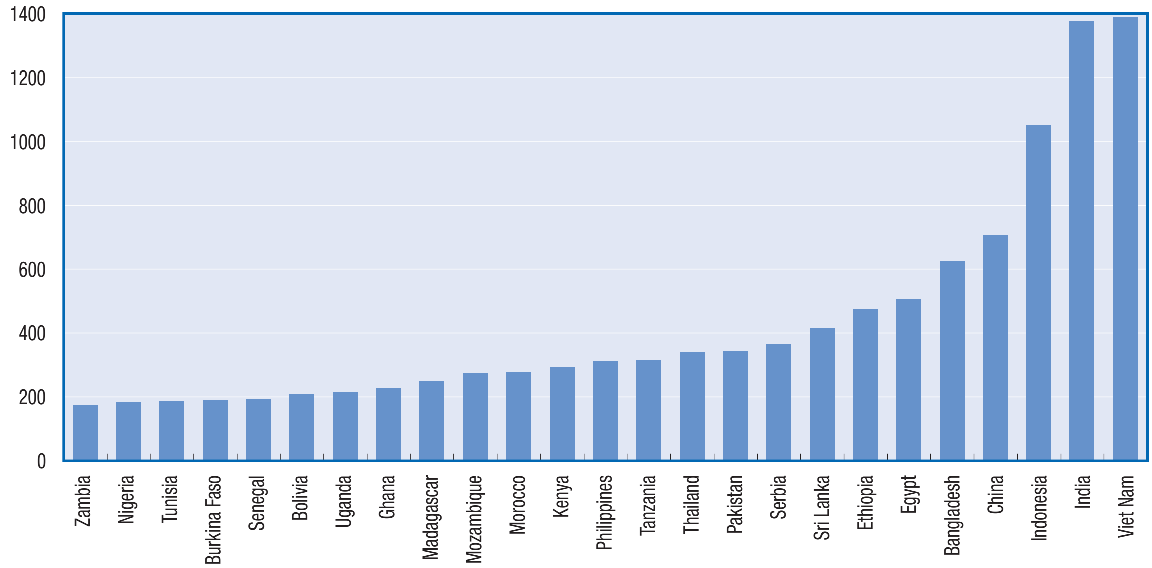
Note: b calculated as the average of annual shares; AfT: aid for trade; GNI: gross national income
Source: OECD Creditor Reporting System and the World Development Indicators

While the total aid flow to India is smaller than that destined to China, India receives nearly twice as much aid for trade as China (respectively USD 1.3 billion versus USD 0.7 billion). Given the strong ownership of India and China over their own development strategy, this difference is likely to reflect a conscious decision on how best to allocate aid money. It is also significant that India and China are donors in their own right. Both countries, especially China, have recently started large aid programmes in Africa some of which could be categorised as aid for trade.

Nevertheless, in both China and India, aid for trade represents only a tiny proportion of national income, given the large size of their economies: just 0.17 % in India and less than 0.03% in China, the lowest shares for all of the major recipients. Clearly, for such small aid volumes – relative to national wealth – to have a significant impact on trade, it would need to be carefully targeted towards binding constraints.

The 25 highest recipients of aid for trade are shown in Figure 6. The geographic concentration is significant, with five Asian countries receiving the largest volumes of aid for trade, followed by a large number of countries receiving similar-sized smaller volumes.

Figure 6. The 25 highest recipients of aid for trade (1)
2002-05 average, USD millions (2005 constant prices)



(1) Excluding Afghanistan, Iraq and Turkey

Source: OECD Creditor Reporting System

ii) *Patterns across regions and income groups*[9]

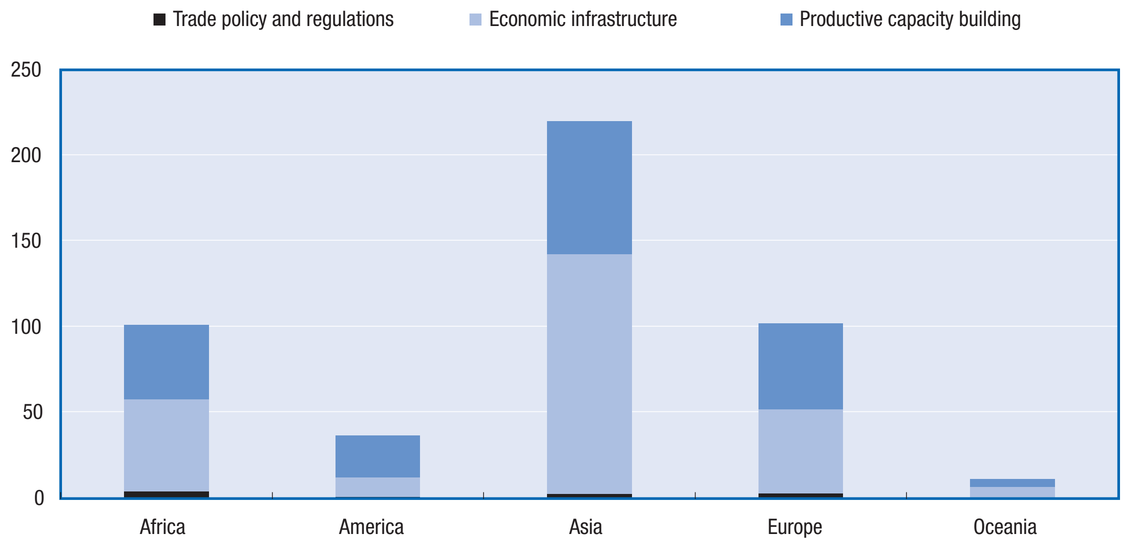
The regional breakdown of aid for trade shows that Asia receives over half (51%) of all aid for trade. Africa follows with 30%. The predominance of Asia is largely a function of the volume of aid received for economic infrastructure. Indeed, in Asia, aid for economic infrastructure alone accounts for over a third of total aid for trade (Table A1.4, Annex I). This regional breakdown also includes Afghanistan and Iraq, where reconstruction efforts have considerably increased aid flows.

Furthermore, observations on the regional distribution of aid for trade usually disregard the size (*i.e.* number of countries) of the regions and the role of multi-country programmes (see Table A1.5, Annex I). This makes meaningful comparisons across regions and income groups difficult. In order to better understand the patterns of aid-for-trade flows across regions and income groups, the metrics chosen in this section refer to the amount of aid for trade received by each country, in total and per activity (data on multi-country programmes are presented in the next section). The analysis that follows of *per country* flows excludes Afghanistan, Iraq and Turkey (for reasons described earlier).[10] On this basis, average flows per Asian country are significantly higher than anywhere else (Figure 7). In fact, the average Asian country receives more than double the aid for trade than the average African country. Even more surprising, European countries perform better on average than countries in Africa, despite Serbia being the only country in the region included in the list of top 25 recipients.

9. The income group and regional classifications are detailed in Annex III.

10. Since 2003, Iraq received nearly twice as much aid for trade as Viet Nam, the second largest recipient of aid-for-trade flows.

Figure 7. Average aid-for-trade flows per country, by region
Commitments, USD million (2005 constant prices)

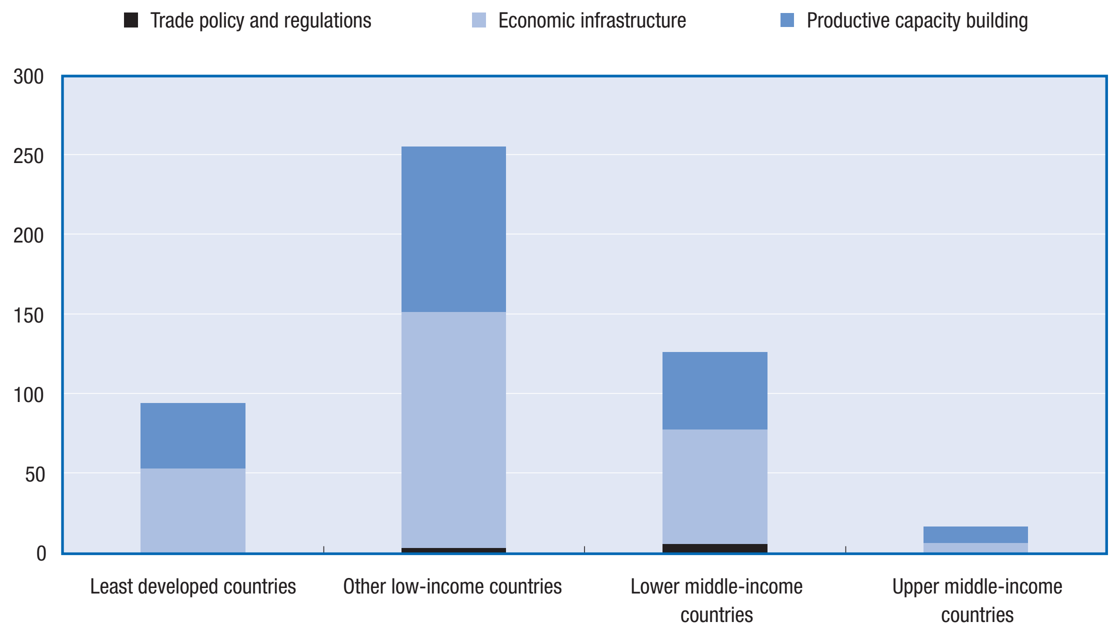


Note: Excludes Iraq, Afghanistan and Turkey.
Source: OECD DAC and Creditor Reporting Systems

It is likely, however, that the regional patterns are driven by income groups' differences. Indeed, a similar analysis, this time by income group, also reveals large differences in average aid-for-trade flows (Figure 8). During the 2002-05 baseline period, countries classified as other low-income countries (OLICs) obtained, on average, aid-for-trade flows more than two and half times larger than both the least developed countries (LDCs) and lower middle-income countries (LMICs). The top two recipients (Viet Nam and India) are both in Asia and are both classified as OLICs. As discussed above, their share of total aid for trade is particularly high, at close to 10%. Their overall weight contributes significantly to the predominance of Asia.

Further analysis of what is driving differences across income groups could shed light on the role of size, aid dependency, regional preferences and absorption capacity in determining the size and pattern of aid-for-trade flows. The fact that OLICs received such large aid-for-trade volumes per country, together with the rather modest overall flows to upper middle-income countries (UMICs), might be an indication of donors' desire to focus on the poorest countries, accompanied by absorption constraints in LDCs. Indeed, most LMICs are not IDA-only, and it is surprising to observe that average flows per county are slightly larger than those to LDCs. Absorption capacity constraints and size must surely play a role in this connection. Pursuing this analysis seems essential in determining the need to expand the Enhanced Integrated Framework to IDA-only countries, or to create a similar mechanism.

Figure 8. Aid-for-trade flows per country, by income group (2002-05)
Commitments, USD million (2005 constant prices)



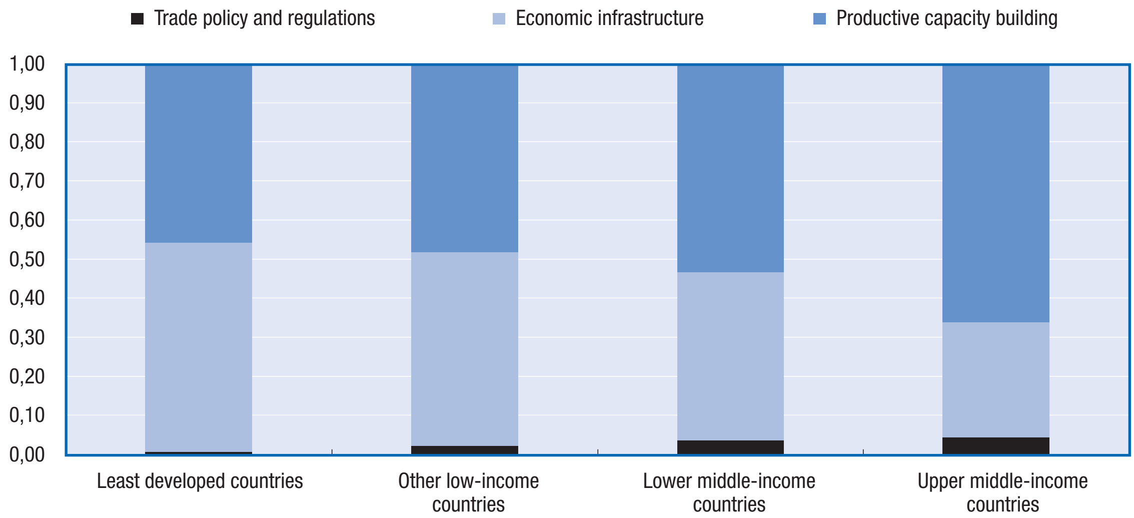
Note: Excluding Iraq, Afghanistan and Turkey.

Source: OECD DAC and Creditor Reporting Systems.

In terms of the different aid-for-trade categories, patterns across regions are similar. The averages by country in each region show similar proportions in their aid-for-trade flows: economic infrastructure stands above 50%, support for trade policy regulations scores between 2% and 5%, and building productive capacity makes up for the rest. The only noticeable feature is the propensity for Latin-American and Caribbean countries to receive a much higher share of their aid for trade as support for building productive capacity: around 66% compared with 36% in Asia and 44% in Africa. Consequently, Latin-American and Caribbean countries receive a much lower share as support for economic infrastructure.

However, this pattern might be driven by the higher income levels in Latin America and the Caribbean region. Indeed, Figure 9 shows a propensity among poorer countries to dedicate a higher share of their aid-for-trade allocations to economic infrastructure likely reflecting the size and quality of infrastructure deficits in these countries. Conversely, in richer countries, the share of aid increases for both productive capacity building and trade policy and regulations. It is however unclear whether this distribution reflects the income-sensitive nature of binding constraints on trade and economic growth, or simply the role of income in determining access to concessional loans – a key instrument for infrastructure financing. It will be interesting to compare these data with the donor and partner-country reports to the WTO, which should include information on low and non-concessional financing.

Figure 9. Aid for trade: average distribution per country, by income group (2002-05)



Note: Excluding Iraq, Afghanistan and Turkey.
Source: OECD DAC and Creditor Reporting Systems

iii) Multi-country programmes

Around 10% of aid for trade is channelled through regional and multi-country programmes. However, such programmes are notoriously difficult to record and are often under-reported. For instance, summing the value of all aid for national infrastructure projects will naturally leave the regional level under-reported: one country might build a road to the border, and its neighbour does the same, with the overall effort being reported as two national level programmes.

Nonetheless, the relatively low share of multi-country/regional aid for trade confirms the view that despite the obvious need for regional programmes, donors are more restrained in funding these projects. Table A1.6 (Annex I) details aid-for-trade flows to multi-country programmes by activity. Infrastructure seems to be particularly affected by this phenomenon: only around 8% of economic infrastructure spending is channelled through multi-country programmes. This is probably due to the high co-ordination costs entailed in multi-country programmes, the lack of credit standing among many regional entities, and the lack of lending and aid disbursement instruments suited to regional contexts. On the other hand, the much larger multi-country/regional focus in aid to support trade policy and regulations (37% of aid under this activity is channelled though multi-country programmes) reflects the increasing role of Trade Capacity Trust Funds (see Box 2).

Analysis shows that around 50% of the aid-for-trade volume reported under multi-country programmes is geographically unspecified, further reflecting the challenges in identifying and measuring genuine regional programmes. Only in Africa do regional programmes capture a meaningful share of aid-for-trade efforts, but even then the very high variation from year to year might indicate the importance of one-off larger projects, rather than a sustained regionally-focused strategy on the part of donors and their partner countries. (Table A1.7, Annex I)

Box 2. Trade-related Technical Assistance and Capacity Building

The last comprehensive report on Trade-related Technical Assistance and Capacity Building dates from March 2007. The joint WTO/OECD Trade Capacity Building Database (TCBDB) has not been updated since, and it was decided to base this report on CRS data which had not yet been reported. However, in order to offer a picture of aid-for-trade flows that is as comprehensive as possible, this box details key trends in trade-related technical assistance and capacity building as recorded in the joint WTO/OECD database. The database tracks two types of activities: *Trade Policy and Regulations*; and Trade Development.

Trade policy and regulations (TPR) covers activities that support the effective participation of developing countries in the multilateral trading system. This type of support builds local capacities to: (i) formulate a broadly supported national trade policy; (ii) participate in trade negotiations; and (iii) implement trade agreements. TPR has a specific code in the CRS but not all reporters to the joint WTO/OECD database also report to the CRS.

Trade development (TD) covers activities which seek to create a favourable business climate. It includes: the trade component of assistance to business support services and institutions; private sector institution building; public-private networking; legal and regulatory reform aimed at improving the business climate; e-commerce; access to trade finance; market analyses and trade promotion at national and sector levels. TD does not have a specific code in the CRS and has been included throughout this report under the category ‘Building productive capacity’.

	2002	2003	2004	2005	Average 2002-2005	Annual Growth rate
	Trade Policy Regulations					
Trade Policy and Administrative Management	165	282	182	212	210	9
Trade Facilitation	196	317	353	185	263	-2
Regional Trade Agreeements	216	183	95	310	201	13
Multilateral Trade Negotiations	178	148	122	138	147	-8
Trade Education/training	64	78	55	60	64	-3
Total TPR Category	**820**	**1 008**	**807**	**905**	**885**	**3**
	Trade Developement					
Business support services and institutions	345	409	384	478	404	11
Public-private sector networking	51	117	67	26	65	-20
E-commerce	37	31	54	48	42	9
Trade finance	338	384	457	504	421	14
Trade promotion strategy and implementation	317	752	649	625	586	25
Market analysis and development	250	343	542	540	419	29
Total TD Category	**1 337**	**2 036**	**2 153**	**2 220**	**1 937**	**18**

Source: Joint WTO/OECD Trade Capacity Building Database

In contrast with the broader aid-for-trade categories, during 2002-05, Africa, and particularly sub-Saharan Africa, is the region that received most aid for TPR (28%) and TD (34%). One of the major recipients of TD in Africa recently has been South Africa, benefiting in particular from support for trade and investment financed by the European Commission and Switzerland. Madagascar also benefited from aid to the banking and financial services sector provided by the United States. Indeed, the United States has recently provided the bulk of bilateral support to TD (around USD 800 million in 2005). In TPR, the volume of multi-country and regional projects stands out - in part due to European Commission support for such programmes in Africa (and particularly a European Commission-financed activity for regional integration in West Africa).

It is also worth noting the increasing contributions to Trade Capacity Building Trust Funds. Contributions to TRTA/CB Trust Funds increased by USD 56 million in 2005, an increase of 17% compared to 2004. This is a remarkable achievement when considering that overall volumes of TRTA/CB declined slightly. The WTO fund for technical co-operation and training benefited in particular from the increase in support. Funding for the three other dedicated trust funds remained more or less stable. Compared with the global aid-for-trade volume, the size of trust funds is relatively small: only 0.2% of the total. But trust funds are more important in the area of TPR. Bilateral donors that contributed the most to the trust funds in 2005 were Denmark – which almost tripled its contributions to USD 8.7 million – and Sweden, Norway, Switzerland, the Netherlands, Germany, Canada and the United Kingdom.

Source: WTO/OECD Trade Capacity Building Database, 2006 Joint Report

Chapter 2
Donor Strategies, Policies and Practices

1. Introduction

This chapter reflects donors' thinking and practice, both strategic and operational, on aid for trade. It summarises key findings in the responses to the aid-for-trade questionnaire sent to donor agencies as part of the first WTO/OECD exercise to monitor aid for trade. The chapter is based on replies from 26 countries as well as 13 multilateral, regional or global organisations, who together provide over 90% of global aid-for-trade flows.[11]

The donor responses to the questionnaire form one of the three tiers of the aid-for-trade monitoring framework. The overarching aim of the questionnaire was to serve as a tool for raising awareness and improving the delivery and effectiveness of aid for trade. This was to be achieved by: gauging broad trends in strategy and likely future financial commitments; refining information on aid-for-trade flows; and obtaining qualitative information on the ways in which donors apply the principles of the Paris Declaration on Aid Effectiveness in their aid-for-trade programmes.[12]

Because the questions were open-ended, they have sometimes been answered in different ways by different donors, varying in terms of both detail and focus. Carrying out the monitoring survey in this fashion has served the intended purpose of developing a broad panorama on donors' objectives for and implementation of aid for trade.

The responses are presented in their entirety, barring a small number of statistical contributions, in the second part of the Report; *Aid for Trade at a Glance 2007: Country & Agency Chapters*. At the outset, it is important to note the manner in which the donor responses are summarised below. This document gives a narrative synthesis of the recurrent features in donors' replies, but it does not

11. These are: Australia, Austria, Belgium, Chile, the Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Lithuania, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. Latvia replied that to date it has not provided aid for trade. The multilateral, global or regional institutions responding by 29 October were: the Agency for International Trade Information and Cooperation (AITIC), the Asian Development Bank (ADB), the Asia Pacific Economic Co-operation Secretariat (APEC), the Economic and Social Commission for Asia and the Pacific (ESCAP), the European Bank for Reconstruction and Development (EBRD), the European Commission, the Food and Agriculture Organisation of the United Nations (FAO), the Inter-American Development Bank (IADB), the International Monetary Fund (IMF), the International Trade Centre UNCTAD/WTO (ITC), the Islamic Development Bank, the United Nations Development Programme (UNDP), and the World Bank.

12. The questionnaire was developed in consultation with an international expert group comprising representatives of bilateral and multilateral agencies and partner countries. It was sent to donors with an official letter from the OECD Secretary-General Angel Gurría and the WTO Director General Pascal Lamy and was accompanied by a profile of each donor's aid-for-trade commitments drawn from the OECD Creditor Reporting System database.

tabulate or rank these replies. This reflects the fact that the survey did not aim to derive quantitative indicators of donor practices, to be compared across countries, agencies or time.

The summary is organised sequentially, following the order in which the questions were posed in the questionnaire. For ease of reference, the questions themselves have been reproduced above each subsection of the summary.

2. What are the strategies and priorities?

Most donors have or are developing aid-for-trade strategies

Almost all donors possess, or will shortly possess, an aid-for-trade strategy. European Union (EU) countries are generally aligning their strategies with the new Joint EU Aid for Trade Strategy. By adopting the Council Conclusion on Aid for Trade in October 2006, EU members collectively decided to create the Joint EU Aid for Trade Strategy as a guiding document for both the Community and its Member States. As described in the European Commission's response, the strategy – formally adopted in October 2007 – specifies short and medium-term priority actions based on four core components: i) increasing the collective volumes of EU aid for trade; ii) enhancing the pro-poor focus and quality of EU aid for trade; iii) supporting effective aid-for-trade monitoring and reporting; and iv) increasing EU-wide and Member States' capacities as donors, in line with globally agreed aid effectiveness principles.

The strategies are sometimes enshrined in a single policy document. Denmark, for instance, adopted the strategy *Trade, Growth and Development* in June 2005. Finland adopted a policy paper - *Supporting Developing Countries' Trade Capacity in Finnish Development Co-operation* - focusing on scaling up and mainstreaming aid for trade. Sweden has its *Plan for Trade-Related Development Co-operation*. In other countries, such as the Czech Republic and Ireland, and in the Food and Agricultural Organization of the United Nations (FAO), a strategy is either under preparation or foreseen.

In some cases - such as Germany and Spain - donor strategies are perhaps best described as implicit. No single overarching policy or strategy document exists, but support for trade is expressed in many aspects of an agency's work, from aid for agriculture and infrastructure to support for private sector development. Sometimes an agency-wide strategy paper on development co-operation overall has trade as a core component. This is the case with the Australian Government White Paper *Australian Aid: Promoting Growth and Stability*, Japan's ODA Charter (as well as its *Development Initiative for Trade*), and the United States' 2006 *New Strategic Framework for Foreign Assistance*, which builds on two documents setting out the US trade capacity building strategy (*i.e. Participation, Empowerment, Partnership: Seeking Sustainable Results through U.S. Trade Capacity Building* and *Improving Lives through Trade and Aid*). Similarly, in Austria, for the first time, a chapter on aid for trade will appear in the *Three-Year Programme on Austrian Development Policy (2007-2009)*.

Recurring strategic goals described in the donors' responses include:

- Enhancing inter-Ministerial consultation, a goal referred to by France, Japan, and the United Kingdom, as well as the United States where more than twenty government agencies provide assistance related to trade.

- Contributing to the MDGs and in particular to poverty reduction (for example Chile, Denmark, European Commission, the Inter-American Development Bank (IADB), the Islamic Development Bank, Lithuania, the Netherlands, the World Bank).

- Increasing capacities in partner countries and regional entities to identify trade-related needs and formulate policy (Australia, France, the IADB, Japan, Korea, the World Bank).

- Strengthening economic and institutional fundamentals affecting private sector development (noted in particular by the ADB, the European Bank for Reconstruction and Development (EBRD), Finland, Portugal, United Nations Development Programme (UNDP) and the United Kingdom).

- Improving market access for developing countries and achieving a successful conclusion to the Doha Round and the development of trade rules propitious for the poorest countries (Australia, the IADB, New Zealand, the World Bank).

- Implementation costs and WTO accession. The United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) notes, for instance, that as most countries who are not yet members of WTO are located in the ESCAP region, a part of its strategy is to help these countries achieve WTO membership and, after accession, to implement their WTO commitments.

- While the IMF does not have an explicit aid-for-trade strategy, it does operate two financing instruments that can be tailored specifically to trade liberalisation. The first, the Trade Integration Mechanism (TIM), can assist countries in need of balance of payments support following liberalisation. The second, the Exogenous Shocks Facility (ESF), can provide concessional financing to low-income members affected by trade or other exogenous shocks.

- Trade facilitation and the general development of supply-side capacities (Australia, the IADB, Japan, the World Bank).

Other less-frequently mentioned strategy goals include; implementing environmental and social criteria within trade (the Netherlands, New Zealand, Norway, Switzerland); supporting a range of programmes around trade, in particular commodities (Switzerland); and working actively with industry in partner countries (Sweden). While engaged in diverse activities, the Singapore Cooperation Programme focuses heavily on the development of human resources. In addition, Chile noted its engagement in triangular co-operation channelling financial resources and knowledge from developed to developing countries while adding Chilean know-how and best practices.

Strategies have evolved since the 2005 WTO Ministerial Conference

Some of the strategies described above – such as Japan's Development Initiative for Trade and the work of the ADB and the IADB – predate the December 2005 WTO Ministerial Conference. However, some strategies have been formulated recently in direct response to the Conference. This is the case for instance for the EU and its Members States which have engaged together in developing a comprehensive joint strategy in response to the 2006 WTO Aid for Trade Task Force recommendations. It is also the case with Finland's strategy paper, adopted in May 2006.

Similarly, a commitment to providing trade-related assistance is reinforced in New Zealand's *Growth and Livelihoods Strategy*, which is currently being finalised. France describes a wide-ranging set of initiatives taken since the Hong Kong Ministerial Conference. These include: the engagement of a wider set of domestic public institutions in trade-related work; the strengthening of financial instruments; and the reshaping and renewal for three years, with a budget of EUR 25 million, of its national Programme for the Strengthening of Trade Capacities (PRCC).

Few donors noted a change in the overarching strategic goals pursuant to the WTO Ministerial Conference. Rather, change is represented by greater budgetary commitment, institutional focus and purpose. For instance, Australia's aid-for-trade commitments will be increasing from approximately AUD 154 million in 2006-07 to approximately AUD 325 million per year over the next three years. Luxembourg's spending on aid for trade is set to rise from EUR 450,000 in 2006 to EUR 2 million a year in 2007. Sweden's budget for trade-related co-operation doubled from 2006 to 2007. Spain reinforced its interdepartmental co-ordination in the area of trade and development, with work on aid for trade now being followed jointly by the Ministries of Trade and Foreign Affairs and Co-operation.

Regional challenges are increasingly addressed

Almost unanimously, donors stated that regional-level strategies are critical. Regional and sub-regional approaches to aid for trade are natural for regional development institutions such as the IADB where a *Regional Integration Strategy* is one of the four pillars of its institutional strategy. The European Commission noted regional integration as a central feature of EU development co-operation, as evidenced in the *Cotonou Agreement* and forthcoming *Economic Partnership Agreements*. A number of EU Members underscored the importance of the prominent regional focus contained in the recently adopted Joint EU Strategy on Aid for Trade. The Czech Republic will concentrate support on eight priority countries, attending to cross-border and regional issues affecting those countries. Cross-border issues are emerging as an important part of UNDP's trade programmes throughout Africa, Asia and the Pacific, Arab states and the countries in transition. In trade-related lending, the ADB, as a part of its Regional Cooperation and Integration strategy, focuses on projects that have a regional dimension.

The European Commission considered that programming and delivering at a regional level are not different in nature from the national level in that the same aid effectiveness principles need to be applied. The World Bank and Germany responded that working at the regional level poses particular challenges. However, only a minority of the donors' responses spelled out how they address such challenges. Examples of regional-level approaches and activities described include the following:

- The IADB conceptualised jointly with the ADB and then implemented a pioneer programme aimed at financing the provision of regional public goods.

- Japan referred to a goal of realising successful regional integration in Asia and the Pacific.

- The United States is working to create regional Hubs for Global Competitiveness to support trade capacity building in sub-Saharan Africa. Responding to region-specific needs, the Hubs have a multidisciplinary staff from a number of US government agencies working in trade-related fields.

- Some donors noted a natural geographic focus to their regional priorities, *e.g.* Australia and New Zealand. Australia highlighted a wide range of regional programmes, including targeted economic policy research aimed at prioritising economic integration issues in ASEAN, to a variety of trade facilitation and capacity building programmes, to support for the Pacific Islands Trade and Investment Commission in Sydney.

- The ITC's work with regional economic co-operation organisations, places emphasis on networking and value-chain development among private enterprises. Switzerland is strengthening regional institutions such as the Trade Law Centre for Southern Africa. The FAO is working on programmes that are inherently regional, dealing for instance with issues of trans-boundary diseases affecting livestock.

- The EBRD focuses its work at the regional level on trade finance, working with banks at both ends of transactions and reducing the risk of trade finance instruments.

- Italy gives a practical example of regional aid for trade referring to "the creation of a regional network to support family enterprises producing coffee in Central America and the Caribbean. The programme will help the countries involved to define a strategy for both trading and marketing coffee production. The general idea is to support both quality and the production of typical regional products."

- Belgium noted its financial support for a UNDP initiative to strengthen trade capacities in Africa, a programme that has regional integration at its core and which helps train trade negotiators in the context of Economic Partnership Agreements with the EU.

3. Are commitments increasing?

Most agencies adhere to the aid-for-trade definition of the WTO Task Force

The recommendations of the WTO Task Force on the definition of aid for trade are endorsed by most donors. The following additional qualifications were noted.

- The European Commission acknowledges this definition, but noted that detailed recording guidance on these categories is still being developed. For reporting on its pledges the European Commission uses the category Trade Related Assistance (comprising trade policy and regulation and trade development).

- The United Kingdom counts all bilateral expenditure focused on trade, investment and private sector development, while Germany questioned the rationale for distinguishing aid-for-trade activities from other growth-promoting ODA, especially given that reporting carries costs. Sweden defines its trade support as comprising aid for Trade Policy and Regulations, and Trade Development, but also funds activities under other categories, and considers that – in line with the Task Force definition – programmes should be considered as aid for trade if they have been identified as trade-related development priorities in the country's national development strategy.

- The United States defines Trade Capacity Building activities in the areas of policy, human resources, institutional infrastructure and physical infrastructure as those designed to promote trade and/or with a direct link to promoting a country's ability to conduct trade within the international trading system. This comprises a wider range of categories than those included in the global monitoring based on the OECD CRS, but includes only those activities that are explicitly targeted at increasing trade capacity.

- Japan adopts an encompassing approach that covers a range of activities relating to development needs at three stages: production, selling and buying. These activities are not confined to particular sectors. Japan also considers that general budget support should not be included as a proxy in the measurement of aid-for-trade volumes.

- The World Bank and the IADB include other activities beyond those reported under the OECD's CRS, including analytical work in assessing trade performance and making the case for trade reform.

- New Zealand uses a more restrictive definition, excluding general budget support as a proxy for trade-related structural adjustment in its definition, but cited work that its support is aimed at promoting environmentally sustainable production as well as the promotion of fair trade by building domestic consumer awareness.

Few donors can identify the aid-for-trade share in individual projects and programmes

A range of approaches exists for accounting for aid for trade in official statistics. The diversity illustrates some of the well-known difficulties in accurately estimating global volumes of aid for trade. Many aid-related statistical practices (such as in Austria, Portugal and FAO) do not possess the distinctions necessary to record precisely the trade element in projects with both trade and non-trade components. Specific responses were:

- The World Bank and the IADB code and weight the trade-related components of all their technical assistance programmes and lending. Both Banks count both concessional and non-concessional projects. This gives rise to large differences between the figures reported by these Banks and those in the CRS. For example, in the case of the World Bank, if 100% of the value of the Bank IDA concessional projects with a trade theme were counted as trade-related lending, instead of only the portion related to trade, the volume would rise from USD 569 million to USD 2 billion in fiscal year 2007.

- The United States captures all its Trade Capacity Building spending at the activity level which allows the separation of aid-for-trade components in projects. This system operates across activities implemented by numerous agencies engaged with aid for trade.

- Ireland applies a weight of 100%, 75%, 50% or 25% depending on the scale of the trade element in projects/programmes, while Finland uses a single purpose code, such that the aid-for-trade share of individual projects or programmes is either 100% or 0%. A similar binary-type classification is used by the ADB and Belgium, where projects are considered either as an aid-for-trade activity or not.

- The United Kingdom sees aid for trade as a framework rather than a new programme or sector. It is currently aligning its input sector codes to those of the OECD's CRS.

Most agencies consider CRS data as an acceptable proxy for their aid-for-trade flows

Responses to the question on financial commitments took different forms. Some donors reported on commitments under all the Task Force categories, others – such as the European Commission and Germany – reported on the categories of TPR and TD. Various donors provided no data, while the Czech Republic could provide some data for 2006, but no data for the years 2002-05. The United Kingdom reported on disbursements but not commitments (due to a change in its internal reporting procedures).

Australia, Austria, Finland, Germany, Portugal, New Zealand, the Netherlands and Sweden accepted (almost) exactly the data provided in the OECD CRS profile that accompanied the questionnaire. Spain agrees with the data on TD, but there is a divergence on TPR figures. However, within a given category of aid-for-trade spending, where divergences exist between what donors report and the CRS profile, this usually reflects reporting issues, rather than an assessment of the trade element in programmes having trade and non-trade components.

The two main exceptions here are the reports from the United States and the World Bank. The United States notes, "only a small portion of U.S. funding for infrastructure projects" is directly trade related, and thus included as aid for trade. Indeed, the submitted data on "trade-related physical infrastructure development", at USD 346 million in 2005, are significantly below the CRS figure of USD 1.8 billion. Similarly, the World Bank data, showing total aid for trade at USD 351 million in 2005, are significantly below the total of the CRS aid-for-trade proxies (USD 2.7 billion). This divergence in part reflects a series of complex reporting issues. But it also highlights that the CRS data are proxies that undoubtedly overstate the true volume of aid for trade, whereas the World Bank data seek to specifically identify the trade-component of aid projects.

The responses from both the United States and the World Bank suggest that accurate quantification of global aid-for-trade flows would result in a sizeable downward adjustment of the CRS proxies. To do so would require the identification of trade-specific elements in programmes by a large number of donors (who currently lack the necessary statistical capacity). Consequently, for the time being, the CRS proxies will continue to represent the best quantification of aid for trade for most individual donors.

Donors reconfirmed their Hong Kong pledges and others are increasing spending

- The United States confirmed its announcement in Hong Kong of plans to more than double its contribution to global aid for trade, from USD 1.3 billion in 2005 to USD 2.7 billion by 2010.

- Japan confirmed its Hong Kong pledge of providing USD 10 billion in financial assistance in trade, production and distribution-related infrastructure over the period 2006–08.

- The European Commission confirmed its Hong Kong pledge of increasing assistance to trade policies and regulation and trade development to EUR 1 billion annually by 2010.

A number of European Union countries noted that the recently adopted *Joint EU Aid for Trade Strategy* reconfirms a collective pledge to raise Member States' spending on Trade Related Technical Assistance and Capacity Building to EUR 1 billion per annum by 2010 (a pledge that originally dates from the Hong Kong WTO Ministerial Conference). This target would imply that Members' collective commitment should rise to at least EUR 600 million in 2008. The EU Strategy will also seek to ensure that, by 2010, the increase in total expenditure on trade development is not undertaken at the expense of the overlapping aid-for-trade category "building productive capacity".

The United Kingdom has pledged to increase its bilateral trade-related assistance to GBP 100 million per year by 2010, while Finland has pledged to increase its trade-related assistance to 2% of Finnish ODA by 2010 (*i.e.* from approximately EUR 5.8 million in 2004 to EUR 15 million in 2010). Denmark pledged and disbursed DKK 37 million (EUR 4.8 million) for multilateral agencies in 2006. In addition, in Ireland's *White Paper on Irish Aid,* a commitment was given to increase funding for multilateral aid-for-trade initiatives. In May 2007 Australia committed AUD 505 million to a major new infrastructure initiative. AUD 328 million were committed to the Eastern Indonesia National Roads Improvement Project, which commenced in March 2006. Korea has pledged support for the Enhanced Integrated Framework (EIF) and a range of bilateral and multilateral programmes. Norway intends to increase support for trade from 2008 onwards. No new pledges were made by Austria, the Czech Republic, Germany, the Netherlands, Spain, Sweden and Portugal.

Few donors have precise medium-term financial plans for aid for trade

On the condition that trade is mainstreamed in partner countries' development strategies, a large set of donors foresee growth in aid-for-trade budgets over the medium term, even if in most cases precise data on volumes are not yet available, as for instance with the Czech Republic, New Zealand, the Netherlands, Norway and Spain. The World Bank only has an indicative 2-year programme of lending, while the German Ministry for Economic Cooperation and Development is not permitted to make financial plans beyond three years. The EBRD notes that demand for services under its trade-finance programme is market driven. Demand for investment service linked to cross-border infrastructure is projected to rise in the coming years. The Inter-American Development Bank (IADB) notes as a serious challenge the limited availability of grant funding for trade-related assistance for middle-income countries.

The response from ADB, Portugal and Finland was that they have no defined medium-term financial plan for aid for trade. Australia, however, has precise projections, with spending of AUD 279 million foreseen in 2010-11. Denmark will maintain multilateral assistance at DKK 55 million (EUR 7.1 million) annually for the period 2007-11, and foresees annual disbursements in Africa alone of DKK 200-300 million over the medium-term. The ITC also specifies that its financial delivery projection in 2009 is USD 60 million, more than double the 2006 level of aid-for-trade implementation. Similarly, the Swiss budget for trade-related co-operation is set to rise from CHF 50 million in 2006 to over CHF 75 million in 2010.

4. Is the Paris Declaration on Aid Effectiveness adhered to?

Trade is being mainstreamed in aid programmes

Almost all donors stressed that the principle of developing programmes based on country demand – through a process of dialogue - is the primary guide for country-level operations. Some agencies have an official policy document giving guidance on trade mainstreaming. For instance, this is the case with the Joint World Bank-IMF Development Committee Communiqué, issued in April 2006, asking the IMF and Bank staff to deepen their work to integrate trade-related needs into country programmes. In the case of the European Commission, general programming guidelines are complemented by sector-specific guidelines, including on linking trade with development.

The United States described a high-level co-ordination process aimed at ensuring effective mainstreaming of aid for trade in overall development strategy. This involves co-ordination through the new office of the Director of Foreign Assistance, in the State Department, who consults closely with the United States' Trade Representative and other trade and development agencies in formulating the President's annual Foreign Assistance budget proposal to the Congress.

Finland operates an interdepartmental trade and development network, which also serves as a forum for recurrent follow-up of the evolving aid-for-trade agenda. Germany's response provides a comprehensive picture of aid-for-trade programming that builds on the work of a team of trade advisors networking closely with implementation agencies on a range of topics such as Trade-Related Aspects of Intellectual Property Rights (TRIPS) and Economic Partnership Agreements (EPAs), all allied to a policy-oriented research programme. Various donors, such as the United Kingdom and New Zealand, mentioned the importance of an inter-agency division of labour in the provision of aid for trade. In this connection, New Zealand notes that it would not expect to support trade-related activities in all partner countries given the New Zealand Agency for International Development's (NZAID) small size.

In-house expertise is being strengthened

The majority of donors have bolstered in-house capacities, to different degrees and in different ways. For example, the IADB has created a special integration and trade sector as one of its four core activities. Spain has enhanced exchanges between in-house experts –for instance in statistics, international finance and evaluation – in order to apply a wider set of skills on aid-for-trade themes. Switzerland has created a high-level task force bringing together the different governmental entities responsible for development issues. The Swedish International Development Agency (SIDA) has entered into inter-agency agreements with the National Board of Trade and the Swedish Energy Agency, and discussions on similar agreements are underway with Swedish Customs and the Board of Agriculture. Japan has an inter-ministerial mechanism for ODA policy co-ordination, including in the area of aid for trade. France has initiated new in-house programmes of training and research. In the United Kingdom, a new Trade Policy Unit has been formed bringing together teams formerly located in the Department for International Development (DFID) and other parts of government working on trade. The Netherlands has had, since 2000, a dedicated staff of six assigned to aid for trade.

Similarly, in the United States, inter-agency working groups, co-ordinated by the Office of the US Trade Representative, help draw in appropriate expertise from a broad array of government bodies. Furthermore, the United States Agency for International Development (USAID) has a cadre of economic growth officers in the field and a trade team based in Washington.

The European Commission has strengthened in-house expertise in headquarters and in delegations both by increasing the number of staff and by reinforcing linkages between staff. For instance, in all concerned Directorate Generals (DGs), specific trade and development units are in place. Furthermore, the European Commission organises direct and on-line training courses on aid for trade for staff in Delegations and Head Offices. In all the concerned European Commission DGs, specific trade and development units are put in place.

The World Bank's Trade Department has been engaging with country and sector teams to strengthen cross-sectoral expertise in various trade-related areas in order to strengthen the Bank's engagement on trade issues. By comparison, Austria, the Czech Republic, Korea, Norway and Portugal note that they have not strengthened in-house capacities. However, Korea is seeking to strengthen ties with a variety of development agencies and research bodies as a means of increasing in-house capacities. Capacities are under review in the ADB, Ireland and Italy.

Partner country ownership is considered essential

Nearly all agencies highlight that they align country-level programmes with the development strategies of partner countries, and that it is therefore the responsibility of partners to properly reflect trade priorities in national development strategies. For the Agency for International Trade Information and Co-operation (AITIC), raising awareness of the importance of the trade dimension in national development plans is central to its institutional mandate. The European Commission, Finland and the IADB raise aid for trade consistently in their policy dialogue with partner countries.

Japan noted that their partners usually place emphasis on trade development components, in particular the development of economic infrastructure and building of productive capacity. However, New Zealand recalled that even when trade is not a clearly articulated priority in national development strategies, many non-prioritised activities do contribute to building trade capacities in indirect ways. France noted that it might still provide support in the field of trade even if trade-related needs are not specified in national development strategies. The IMF noted that it would encourage countries to integrate trade policies into their poverty reduction strategies and to explore the potential benefits to growth and poverty reduction that could result from trade liberalisation.

Where trade development is weakly expressed, the approaches taken are similar across donor agencies. These approaches include support for: development of needs assessments (*e.g.* the European Commission, the United States through the Millennium Challenge Account, and Switzerland and the IADB through support for Diagnostic Trade Integration Studies); dialogue processes including with civil society (*e.g.* the European Commission, the IADB, the United Kingdom, the World Bank); and capacity development (*e.g.* Spain's and the IADB's work to build capacities in local government).

Policy dialogues among key stakeholders in partner countries are taking place

Most agencies support policy dialogue on aid for trade as a regular feature of their development co-operation programming. The field presence of larger agencies can obviously facilitate the development and maintenance of dialogue processes. The United States for instance has more than 70 field and regional missions. The European Commission addresses aid for trade in regular high-level dialogues with partner countries. The IADB holds annual regional policy dialogues on trade and integration at the vice-Ministerial level in regional and sub-regional sessions. The World Bank's guidelines for certain types of infrastructure projects require consultation with local populations.

The United Kingdom expects multilateral agencies such as the World Bank and the European Commission to take the lead on demand-led trade and growth-related policy discussions, although it sometimes does so itself in certain countries. Similarly, Germany noted that multi-donor programmes in the trade area are generally the preferred instrument to deal with comprehensive needs assessments and strategies. Germany has only entered into a bilateral strategic dialogue on trade in very few partner countries. All Swiss-supported programmes contain a module for promoting multi-stakeholder dialogue.

In the cases of Japan and Ireland, stakeholder engagement occurs through Poverty Reduction Strategy or National Development Strategy reviews. At a non-operational level, Ireland also mentioned its support to the AITIC, which promotes policy dialogue on aid for trade among stakeholders from developing countries. Australia and New Zealand both noted that support for regional entities and processes can play a role in dialogue processes. For example, Australia has supported advocacy and information sharing activities through the Asia-Pacific Economic Cooperation (APEC).

France signalled a new approach to fostering dialogue that it is currently elaborating. Under this approach a unit will be supported, in an African country, bringing together civil servants and academic economists with the aim of analysing the impacts of trade policies. This work is being developed with the Economic Commission for Africa.

Various donors noted the key role of the EIF in supporting policy dialogue in LDCs. The European Commission is a facilitator for the IF in seven countries and will take up this role in other countries shortly. The United States also acts as an IF co-ordinator in a number of countries. The IADB noted, however, that middle-income countries do not participate in the IF and therefore need alternative instruments suited to their specific needs.

Singapore noted that, as a means of underpinning dialogue processes, it invites policy makers and senior officials to observe first-hand the critical role that trade has played in the development of the country. The ADB states that one of its important functions is to share lessons learned on dialogue processes and other issues among countries in Asia. The IADB is reaching out beyond its traditional constituencies in the trade community to target decision makers more broadly.

Donors are aligning around partner countries' procedures and systems

The World Bank and the IADB noted that they only use the budgeting frameworks of countries since they only finance projects that are part of the governments' programme. Most other donors seek to use the planning and budgeting frameworks of partner countries whenever possible. The European Commission and the United States attempt to do so, but noted the need to demonstrate on a case-by-case basis that the partners' national public finance systems are effective, transparent and reliable before local procedures can be used for provision of co-operation funding. Sweden and Portugal added that all programmes seek to respond to partners' priorities, as reflected in national planning documents, but do not necessarily use partner countries' budgeting frameworks. In Italy, it is mandatory to take into account partner countries' policy planning in programmes financed by the Ministry of Foreign Affairs.

Harmonisation of donor procedures is rising

Many donors – including the ADB, Australia, Denmark, the ITC, Japan, New Zealand, the Netherlands, the United Kingdom, and the United States – note that they support co-ordinated country-level programming and analysis as a matter of course. Portugal, Korea and Spain have not yet done so, although Korea plans to expand co-ordination in future. Finland has undertaken such co-ordination, but not in all countries. Due to its small size, the Czech Republic builds on the analytic work performed by others.

The World Bank considers that it has a central role in terms of harmonisation and the diffusion of innovation or best practices among development agencies. The IADB is working with donors such as Canada and the United Kingdom implementing programmes financed with trade-focused trust funds. At country level, co-ordination with other donors is being implemented through programme-based approaches and joint missions. Furthermore, the World Bank as well as the European Commission, the ITC and other donors consider the EIF as an important tool for greater donor co-ordination and effectiveness in aid for trade. The EBRD practices co-ordination with other donors and international finance organisations, but this occurs according to the financing needs of individual projects.

Donors are increasing spending on regional and multilateral programmes

Evidently, the regional development banks are the first providers of support to address regional aid-for-trade challenges. As an example, the IADB has a long-standing tradition of programming and delivering aid for trade considering regional entities as a primary target. In addition, under the World Bank's IDA 14 approximately USD 1 billion is available to assist regional programmes of which 90% is being used in Africa. The European Commission's upcoming programming cycle includes an increased allocation to regional programmes. For example, an increase of 70% of the regional envelopes is foreseen for the ACP regions.

Donors that are increasing aid for trade for regional or multilateral programmes include Belgium, Finland, France, Japan, New Zealand, Singapore, Spain and Sweden. A concrete example of expanding regional-level support is Australia's current work to design a new seven-year programme aimed at strengthening ASEAN's institutional capacity to support regional economic integration, to provide high-quality economic policy advice on inter- and intra-regional economic integration.

5. Are programmes managed with clear objectives?

Management for results is considered critical, but challenging

Various donors note the complexity in specifying objectives and time frames on account of the diversity of aid for trade. For instance, some training activities may have time frames measured in weeks. Other activities, such as in infrastructure, might be assessed over a period of years. The United States notes that time frames should also reflect specific country conditions. Australia notes measuring success against aid-for-trade objectives differs for each country programme area, given that each country programme has different goals. Japan likewise notes that aid-for-trade outcomes can require extended periods to materialise, beyond for instance the 3-year period (2006-08) of its Development Initiative on Trade.

The World Bank uses medium-term and other metrics for measuring success. The United Kingdom notes a main objective of clarifying the UK Government's position on aid for trade, ultimately bringing growth and trade to the centre of thinking on sustainable development. Germany pointed to the time frames and review procedures that will be a part of the forthcoming Joint EU Aid for Trade Strategy.

There are no aid-for-trade specific evaluation approaches

The methods donors employ to evaluate aid-for-trade programmes do not differ from the conventional evaluation methods and standard DAC evaluation criteria – effectiveness, efficiency, relevance, impact and sustainability - applied to aid overall. The single exception is the European Commission, which notes that, in addition, it also evaluates against the criteria of "coherence" and "EC value added". The IADB noted that this would especially benefit from greater donor coordination.

The submission of the United States describes a comprehensive evaluation approach – a form of meta-analysis combined with "participatory evaluation" – being applied to aid for trade. The World Bank noted that their programmes are monitored by the Bank's Quality Assurance Group and on a random basis by the Independent Evaluation Group. Australia underscored the importance accorded to evaluation – as evidenced in the recent creation of The Office of Development Effectiveness - and described evaluation processes ranging from its Annual Review of Development Effectiveness, submitted to Parliament, to a wide range of thematic and sectoral evaluation reports undertaken over varying time frames. Belgium noted that its development co-operation Evaluation Service will shortly propose an evaluation of the country's aid for trade, while the support given for private sector development is being evaluated at present. And Norway will evaluate its aid for trade programme in 2010.

Some countries, such as Austria and Switzerland, subcontract some evaluative work to regional and multilateral bodies with the appropriate technical specialisation. Switzerland for instance has contracted out evaluations to the United Nations Industrial Development Organization (UNIDO) in the area of standards and clean production. Germany considered that methodologies for evaluating capacity development are inadequate.

Joint monitoring and evaluation of projects and programmes are being undertaken

Australia, AITIC, Belgium, Chile, Finland, Ireland, New Zealand, the Netherlands, the United Kingdom and the World Bank all undertake such joint monitoring and evaluation. Japan commented on the rise of the number of joint evaluations it engages in, and that this is considered an essential dimension of both ownership and accountability. The European Commission also endorsed joint evaluations as beneficial from an efficiency perspective. Sweden and Korea noted that, with other agencies, they are supporting the development of a framework for monitoring and evaluation of the EIF. The United States referred to its participation in OECD efforts to develop tools to improve monitoring and evaluation of aid effectiveness. Italy does not yet undertake joint monitoring and evaluation. The ADB stressed that agreement is needed among all stakeholders on an accountability mechanism and expected results.

6. Is mutual accountability taking place?

Donors engage with others in reviewing progress

Australia, Chile, Denmark, Japan, Korea, New Zealand, Norway, Singapore and Switzerland all noted that they engage with partner countries, regional organisations, and other donors and stakeholders in reviewing progress towards the fulfilment of aid-for-trade policies and programme commitments. Austria and Portugal have not yet engaged in joint review of progress on aid for trade. Finland noted that it did not yet undertake specific mutual accountability activities related to aid for trade, but that the recently adopted EU aid-for-trade strategy will provide for an implementation and follow-up structure. More broadly, the United States referred to its commitment to monitor the Paris Declaration.

New Zealand noted that in some programme types formal accountability mechanisms exist: for example the Pacific Regional Trade Facilitation Programme is formally discussed at the annual meeting of the Region's Trade Ministers. Spain noted that completion of this donor questionnaire is itself a tool for engagement and review with regional organisations and the broader donor community. The United Kingdom also considered the Global Aid for Trade Review as a first opportunity to engage in mutual accountability arrangements specific to aid for trade. Australia noted, in a broader sense, its active participation in DAC peer reviews of policies and programmes.

Chapter 3

Partner-Country Strategies, Policies and Practices

1. Introduction

This chapter reflects the strategic and operational thinking and practice on aid for trade of a small set of partner countries. It summarises key findings in the seven responses to the aid-for-trade questionnaire sent to partner countries as part of the first WTO/OECD exercise to monitor aid for trade. The seven respondents were: Cambodia, Malawi, Mauritius, Panama, Peru, the Philippines and Uruguay.

The small number of partner-country responses reflects the pilot and experimental nature of the partner-country questionnaire in this first round of monitoring (see Box 3). Expanding coverage among partner countries is a key goal for future monitoring of aid for trade. As described in the Introduction, the partner-country responses to the questionnaire form one of the three tiers of the overall aid-for-trade monitoring framework. The responses are presented in their entirety in the second part of this Report; *Aid for Trade at a Glance 2007: Country & Agency Chapters*. As with the summary of donor questionnaire responses (Chapter 2), the summaries below are made in narrative form, the intended purpose of the current monitoring process having been to develop a broad panorama on partner countries' objectives for and implementation of aid for trade, rather than a quantitative assessment. A synopsis of the findings is presented in the Executive Summary. The summary that follows is organised sequentially, following the order in which issues were raised in the questionnaire.

Box 3. Regional OECD Practitioners Fora: Making the Most of Aid for Trade

The OECD – in collaboration with the WTO and each of the main regional development banks (IADB, ADB and AfDB) – organised Practitioners Fora back-to-back with the three "Mobilizing Aid for Trade" regional reviews. The objectives of these OECD fora were to ensure that partner countries' governments were aware of the objectives and elements of the OECD/WTO monitoring framework, and to consult with them on the partner country questionnaire.

It was quite evident that many partner countries were disconnected from the ongoing debate in Geneva concerning the concept of monitoring aid for trade and that many of the participants were not previously aware of the questionnaires. The "Mobilizing Aid for Trade" regional reviews helped the OECD to raise awareness, but the audience was – for all intended purposes – still dominated by trade ministry officials and not enough finance and development ministries' officials. Consequently, much remains to be done to ensure that the monitoring framework and the role of the questionnaire are understood outside Geneva and across governments.

For future consultations with partner countries on the monitoring framework and the questionnaire, the OECD will explore the scope for holding a few targeted outreach events in key partner countries, either jointly with a partner country government (*e.g.* a national dialogue meeting to ensure cross-governmental involvement) or with a small group of interested countries (*e.g.* regional sub-groups).

Source: http://www.oecd.org/dac/trade/aft

2. What are the strategies and priorities?

Partner countries consider trade central to their development strategies

Despite the diverse economic characteristics of the seven respondents, all consider trade development a central element in their economic development strategies, and a number link success in trade to success in poverty reduction and human development.

While Cambodia's response highlights that trade has been fundamental to the country's growth over the last 10 to 15 years, it notes that work is underway to better understand the relationship between trade expansion and poverty reduction, for instance through a series of studies launched by the Ministry of Commerce. Indeed, trade expansion is not considered an end in itself, but rather a means to achieving human development. In terms of poverty reduction, particular emphasis is given to trade expansion and employment and income generation among rural and agricultural populations.

While a trade development strategy has yet to be formulated, achieving success in trade is a key part of Malawi's Growth and Development Strategy. This Strategy expresses the aim of transforming the country "from a predominantly consuming and importing country, into a predominantly producing and exporting country".

In Mauritius, the national economic development strategy is export-led, with an emphasis on strengthening competitiveness in the face of preference erosion. Poverty reduction and attainment of the MDGs are seen as outcomes of an ability to integrate into the world economy. Like Mauritius, Uruguay has a small domestic market, such that the ability to export, and the consequent access to imported capital goods and productive inputs, are considered a constant policy priority.

Panama places the development of trade, and opening to trade, at the centre of its strategy for growth and poverty reduction. This is expressed in the document *Strategic Vision of Economic and Employment Development Towards 2009*. To operationalise this vision, the Ministry of Trade and Industry has designed the *National Trade Strategy 2004-2009*, in which particular emphasis is placed on enabling small and medium-scale enterprises to export.

In Peru, one of the twelve objectives in the country's key policy statement *Strategic Development for International Co-operation* is to strengthen Peru's integration into the world market. This objective itself has five sub-goals: (i) to develop a non-discriminatory open rules-based trade system; (ii) to develop a legal framework that facilitates international trade; (iii) to diversify the supply of exports with higher added value, especially non-traditional exports; (iv) to strengthen the country's trade negotiation capacities; and (v) establish an integrated national trade promotion strategy.

In the Philippines, trade development is a major component of the government's growth strategy under the Medium-Term Philippine Development Plan (MTPDP) 2004-10. The MTPDP seeks to enlarge the export base by entering new markets while maintaining existing ones, raising competitiveness and maximising trade opportunities through participation in bilateral and multilateral agreements. An aggressive stance on aid for agricultural trade is foreseen, combined with policy and regulatory reforms affecting agribusiness.

Most partner countries possess, or will shortly possess, an aid-for-trade strategy

Almost all partner countries possess, or will shortly possess, an aid-for-trade strategy. However, in some cases the strategy is not yet government-wide.

Cambodia is currently preparing its Diagnostic Trade Integration Study (DTIS) 2007, which is expected to guide its trade development during the next three to five years. The emerging priorities are: export diversification; the strengthening of legal and institutional infrastructures for trade (extensive legal reforms are underway as part of Cambodia's accession to WTO); and a number of sector-specific interventions relating to goods and services showing export potential and which also have possible positive impacts on poverty reduction. Such sector-specific interventions might cover areas such as entrepreneurship development, investment promotion, skills development and trade promotion. In this connection, an analysis of 19 product and service sectors is underway.

Malawi possesses a number of documents that, taken together, would form the basis for a national trade-development strategy. However, a comprehensive and government-wide strategy has yet to be put in place.

Panama's National Trade Strategy, covering 2004-09, encompasses a range of sectoral priorities (such as tourism, agribusiness and information and communication technologies) and a diverse array of support programmes – from investment promotion to human resources development and export-related publicity campaigns – that receive assistance from agencies such as the IADB, the World Bank and USAID.

Peru's National Strategic Export Plan (PENX) defines an agenda for both the public and private sectors, focusing on the development of exportable supply, trade facilitation and the promotion of an export culture. Developed in 2003, PENX covers the period to 2013. As described below, in the responses to question 8, PENX has been evolved through an inclusive consultation process, involving the public and private sector as well as sub-national government.

The Philippines possesses the Philippine Export Development Plan (PEDP), which defines the country's export strategies along with programmes to be implemented by the government and private sectors. The Plan covers the period 2005-07. The PEDP has been elaborated with input from a diverse set of public, private and non-governmental stakeholders.

Despite general guidelines that orient a number of Ministries, Uruguay does not have an explicit trade development strategy with achievement benchmarks.

Trade development strategies usually specify aid-for-trade needs

Cambodia, Mauritius, Panama, Peru and the Philippines all have, or are developing, strategies that set out their aid-for-trade needs. The trade component of Cambodia's Public Investment Programme (PIP), for instance, will identify both the aid for trade already in place, as well as any unfunded aid-for-trade needs. Malawi is in the process of developing a trade development strategy that will specify supply-side constraints to be addressed through technical assistance. However, in Uruguay, individual Ministries seek co-operation funding outside of a unified national strategy.

Identifying opportunities for regional collaboration is an ongoing challenge

Many countries had difficulty responding in detail to the issue of which trade development challenges could require regional-level collaboration. This likely reflects the challenges of working at the regional level – despite its importance – that was also highlighted in the questionnaire responses from donor agencies (Chapter 2). While Panama identified its main trade development challenges, there was no indication as to which of these challenges need co-operation with other countries. Similarly, Malawi noted that the main challenges requiring regional co-operation are those relating to issues of productivity, quality and competitiveness, but did not suggest regional levers that might be brought to bear. Peru also did not specify any regional levers that it might consider employing.

However, Cambodia was explicit in referring to ASEAN's potential role in providing a framework for its members to meet international technical standards and Mauritius considers that regional Free Trade Agreements (FTAs) are a stepping stone to integration in the world economy. It noted a need to assess the constraints to regional free trade and estimate the costs of removing those constraints. On a specifically regional level, Uruguay wished to see greater stability in market access conditions within MERCOSUR. The Philippines identified an opportunity for regional-level action involving the establishment of a regional trade/market information system aimed at identifying consumer demand and preferences.

3. How much aid for trade is received?

Most trade development strategies are costed, but greater detail may be needed

Three of the seven partner countries – Panama, Peru and Mauritius - possess a trade development strategy that has been costed. In Cambodia a costing exercise is underway. However, the costings are in some cases rather general, and it is often unclear what fraction of financing needs is expected to be met through ODA.

Panama is currently working with the IADB on the preparation of a USD 70 million loan for the implementation of a Complementary Agenda to help strengthen technical capacities and improve competitiveness in the economy's productive sectors. However, the figure of USD 70 million is considered an approximation of overall trade-related needs, and it is not evident what share of these needs will be met through ODA.

In Peru, as a result of PENX, public investment requirements have been estimated precisely (USD 90.3 million). As the European Union currently provides USD 18.4 million to support the implementation of PENX, outstanding financing needs are put at USD 71.9 million. Mauritius was also able to provide a relatively detailed breakdown of its aid-for-trade funding needs.

Cambodia is currently planning the projects needed to implement the 2007 DTIS. Uruguay lacks of an overall strategy, and so cannot provide a consolidated costing of aid-for-trade needs. A similar situation holds with Malawi.

Most countries possess data on recent aid-for-trade activities and volumes

Cambodia gave a stocktaking of aid under implementation and/or pledged relevant to the country's trade development strategy for 2006-10. This aid covers activities intended to: place poverty-reduction goals at the centre of Cambodia's trade development; help develop trade policy; support implementation of technical regulations and standards; facilitate trade; support investment liberalisation and promotion; promote regional trade integration; support the development of a regulatory framework bearing on TRIPS and Technical Barriers to Trade; assist with sanitary and phytosanitary standards (SPS)-related measures; support the development of agro-processing, garments manufacture and tourism.

Malawi quantified support received for Economic Partnership Agreement (EPA) negotiations, the Integrated Framework and the Joint Integrated Technical Assistance Programme (JITAP), as well as a variety of programmes to assist the private sector.

Activities in the Philippines considered as supporting the trade development strategy include: trade facilitation; standards upgrading; assistance in increasing market access; reducing the costs of power, transportation and communication services. However, there was no quantification of the aid volumes concerned.

Peru noted that all aid disbursed to support 'competitiveness' exceeded USD 38 million in 2005. In 2005, about 1% (USD 6 million) of all ODA went to activities tailored to support the country's trade strategy.

The main activities cited as supporting Panama's trade development strategy were:

- Advice and technical training – for instance through seminars, courses and workshops targeting business people and sector specialists.
- Research and technological development – seeking to draw on domestic and international research resources.
- Sectoral quality standards – for instance through benchmarking studies or studies of best practices in specific sectors.
- Marketing – for example through assisting the preparation of marketing plans.
- Solutions to commercial logistics challenges – for instance through the improvement of packaging technologies used or the development of new distribution techniques.
- Standards and metrology (including SPS standards) – aimed at achieving international norms.
- Activities to help support an enabling business environment.

Panama also describes trade-related support from USAID (for 2004-09) of USD 32 million, and from the Japan International Co-operation Agency (for 2005-09) of just under USD 1 million. Uruguay was not able to provide consolidated information in response to this question.

Most partner countries identified priorities constrained by lack of donors' funding

Partner countries were usually able to identify constraints to trade development not currently addressed by aid. While Cambodia was not yet in a position to respond to this question, work is underway that will shortly permit a response.

Peru cited a range of unfunded objectives. However these are more in the nature of goals, rather than specific projects or actions. They are: to develop information systems on global markets, particularly for small and medium-scale firms and agricultural producers; to achieve a diversified export supply, particularly of goods and services with higher value-added; to improve infrastructure; and to develop an export culture.

The Philippines pointed to deficits in physical infrastructure as the country's primary constraint on trade. The need for accredited laboratories for certification of agricultural and marine food products was also mentioned as a constraint.

Malawi highlights under-funded or unfunded supply-side constraints identified in its DTIS. These constraints range from a need for customs modernisation, development/rehabilitation of internal and regional transport links, standards development, and institutional capacity building, through to shortcomings in the areas of productivity and skills.

Uruguay cites the lack of a permanent inter-ministerial trade negotiation team, although it is not clear whether this is considered an unfunded objective. And Panama stresses that financial constraints hinder progress on two fronts: advice and technical training, and research and technological development.

4. Is the Paris Declaration on Aid Effectiveness adhered to?

Aid for trade is being mainstreamed into the broader development agenda

Partner countries usually develop their trade strategies through inclusive processes involving multiple stakeholders. Cambodia describes, for instance, an inclusive process that was followed for the preparation of the DTIS 2007. This involved local consultants, public-sector staff and international experts with multi-donor support. The Ministry of Commerce's Secretary of State organised consultations at several stages, and a draft volume of findings was presented to senior officials from all concerned Ministries. These Ministries, along with IF agencies (World Bank, IMF, UNDP, UNCTAD, ITC and WTO) and other parties, were then asked to provide written comments. The full report is expected to be launched in December 2007. Implementation of the Trade Strategy will involve intensive consultation between development partners and the government through the newly-formed *Sub-Steering Committee on Trade Development and Trade-Related Investment*, with input from the existing *Government-Private Sector Forum*.

Mauritius operates a process of consultations with government agencies, business, trade unions and civil society. It notes however that resistance to trade reforms has to be overcome and that political support for reform is fundamental (see Box 4).

Panama aims to involve both the public and private sectors on trade development strategy. A number of Consultative Commissions have been established to orchestrate this process, addressing the entire span of policy formulation and practice, from trade negotiations to export and investment promotion. The Commissions include senior representatives of public and private-sector institutions.

Development of Peru's PENX has occurred with active private-sector participation. In addition, the country's Ministry of Foreign Trade and Tourism co-ordinates with sub-national governments. It does so to develop Strategic Regional Export Plans, implementation of which is largely a sub-national responsibility.

In the Philippines, preparation of the MTPDP 2004-10 and the PEDP made use of interagency committees composed of government representatives, the private sector, academia and civil society. Uruguay also created an Inter-ministerial body that coordinates activities on international trade – the inter-Ministerial Commission on International Trade (CIACEX). Added to this are the national offices of MERCOSUR, which also play a co-ordination role, albeit with a more reduced scope than CIACEX.

Box 4. The Political Economy of Trade Reform in Mauritius

During the October 2007 OECD African Regional Practitioners' Forum: "Making Aid for Trade Work" Dr. V. Bassant, Deputy Director General of Mauritius' Ministry of Finance and Economic Development maintained that trade liberalisation has made little progress because of a fear of the unknown. Furthermore, the associated economic and social costs make trade reform politically difficult in the absence of firm financial commitments, in particular, because the adjustment costs are incurred immediately, while benefits accrue over the longer term. The aim of trade reform should be to unlock growth to attain agreed development objectives, including MDGs, employment creation and poverty reduction. The trade reform should be linked to wider economic reforms such as: improving public sector efficiency, enhancing industrial competitiveness, improving the business environment to raise investment and attract foreign direct investment, and designing social safety nets and workfare programmes to protect workers affected by liberalisation, and implementing training programmes to help recycle labour from sunset to sunrise industries. Donors should bring their experience to support nationally-owned programmes in a coordinated manner to ensure coherence and reduce the administrative burden on recipient countries. They should agree on conditionalities that create a framework for success and avoid creating vertical silos. This could be achieved by having periodic meetings of development partners to discuss aid-for-trade strategies as well as monitoring and implementation.

Source: http://www.oecd.org/dataoecd/19/43/39455448.pps

Ownership is reflected in needs assessments, with inclusive involvement of key stakeholders

Partner countries use a variety of approaches in making needs assessments. The main tool employed in Malawi, for example, is the DTIS supplemented by a range of studies on private sector development and exports development. The DTIS is also central in Cambodia. However, Cambodia notes that its DTIS 2007 (there had been an earlier DTIS in 2002) seeks to rank the actions in view. A precise and shared vision is being sought between government and its development partners on which actions to tackle first. Panama also refers to diagnostic studies, in particular diagnostic studies of needs in particular sectors such as tourism and telecommunications.

In Peru, the trade development strategy, once formulated, is validated with businesspeople and a range of public and private institutions. The Philippine's PEDP is drawn up in consultation with a variety of stakeholders (although the specific analytic tools used are not described). Mauritius notes that analytic and advisory services have been received from the World Bank and the IMF to help identify options and assess their costs and benefits.

A variety of consultative mechanisms is used to identify challenges and opportunities

Cambodia describes several mechanisms for consultation and dialogue in support of the identification and implementation of its trade development strategy. In March 2007 the government created a Sub-Steering Committee on Trade Development and Trade-Related Investment. The Sub-Steering Committee is chaired by the Senior Minister of Commerce and vice-chaired by a Secretary of State from the Ministry of Economy and Finance. Key line ministries concerned with trade development are represented, including Industry, Mines and Energy, Agriculture, Forestry and Fisheries and Public Health. The Sub-Steering Committee can make proposals for review and/or approval, either by the Prime Minister or by the full Council of Ministers as appropriate. The Committee also regularly calls for dialogue meetings – at present every two months – with development partners. In addition, consultation with the private sector is assured through a Government-Private Sector Forum mechanism chaired by the Prime Minister, which meets twice a year. This Forum is itself organised in eight working groups, several of which address issues relating to trade development. Inter-Ministerial co-ordination is emphasized throughout, with the Ministry of Commerce taking a lead role.

Peru's PENX was developed via the country's Multi-Sectoral Permanent Commission. The Commission was created by a government decree which designated the institutions that would constitute it (*e.g.* Ministries, Chambers of Commerce, Trade Unions). Regional Executive Export Committees - most of which include company owners - have been set up in every region of the country.

In the Philippines regular consultations are held with a range of stakeholders, concentrating in particular on exporters. These consultations serve, among other things, to help identify export opportunities as well as impediments posed by government regulation, supply constraints, administrative burden and government response. Consultation processes are also far-reaching in Malawi, Mauritius and Panama. Uruguay emphasised that consultation needs to be proactive and receptive, informed by a climate of respect.

Partner countries should help facilitate donor alignment

Donors often work through national planning and budgeting frameworks. However, in some countries this process needs to be strengthened, which may require investment in capacity development on the part of partner countries.

In Mauritius, Panama and Peru the major donors do work through national planning and budgeting frameworks. Mauritius notes that external partners align their interventions with the government reform programme. External resources are channelled - in the form of general budget support - to the government on the basis of mutually agreed performance indicators.

Malawi could not reply specifically with respect to aid for trade, but noted that, for aid overall, a significant proportion of support is deemed extra-budgetary (*i.e.* involving finances not directly managed by a government institution). The Philippines could not verify whether all external partners use its policy planning and budgeting framework.

Cambodia is in the process of bringing the trade sector into the planning and budgeting framework. Once a sector is brought under the framework development partners are expected to align their development support with Cambodia's Public Investment Plan (PIP). Such alignment is in fact the expressed desire of the government and its development partners.

It is difficult to indicate precisely whether aid for trade matches overall priorities

Many partner countries were unable to specify how well aid for trade matches their overall priorities, and more work is required in the development of aid management information systems.

For Cambodia, no information was provided on how well aid for trade matches the government's priorities. However, Cambodia intends to develop an aid information management system as part of the implementation of DTIS 2007. In this connection, the Ministry of Commerce is currently developing a "trade information gateway".

Malawi holds that aid flows in general – rather than aid for trade in particular – are matched with priorities to a greater extent than in the past, on account of the government's formulation of its Development Assistance Strategy. Malawi uses the Commonwealth Secretariat Debt Recording Management System for capturing information on external loans. No other type of information management system was referred to.

Panama broadly holds that aid does flow to priority areas, but does not refer to an aid management information system. Uruguay also seems not to possess such a system.

The Philippines did not reply as to how well the flows of aid for trade reflect government priorities. The Philippines does refer to the fact that it possesses an information system database that identifies the public investment programmes to be carried out by the national government during 2005-10 (but it is not clear whether this also identifies – and is used for the management of information on – aid flows).

Peru noted that in 2005, 80% of aid for trade went to different forms of capacity development, with 19% going to trade-related infrastructure. Peru's response affirms that infrastructure is a priority, but does not indicate whether the overall composition of aid for trade has struck the right balance. No aid management information system is referred to.

Harmonisation is encouraged through inclusion of donors in strategy development processes

Partner countries encourage co-ordinated analyses of trade development needs through inclusion of donors in strategy development processes. Only one country, Malawi, referred to the existence of co-ordination gaps relating to analytic work.

In Cambodia, a shared vision among donors is being generated through the formulation of the DTIS 2007. Key analytic work is also being shared in a co-ordinated fashion across donors, and the process is overseen by the previously mentioned Sub-Steering Committee.

In Malawi, donors base their planning on the Malawi Growth and Development Strategy (MGDS). Consultations with donors are undertaken by the Ministry of Finance and the Ministry of Economic Planning and Development. Malawi indicates, however, that co-ordination gaps exist in the lack of a sectoral focus in the analytic work (and there is a stated need for greater involvement in such donor/government discussions on the part of the Ministry of Trade).

Panama cites the creation of inter-agency groups and field visits undertaken with donors. Similarly, the Peruvian Agency for International Co-operation seeks to enhance co-ordination and optimise external resources by establishing Coordination Roundtables involving the public sector and the donor community. A Roundtable on Trade is currently being established.

5. Are programmes managed with clear objectives?

A range of achievement indicators is used for trade development and aid-for-trade strategies

Partner countries describe an array of achievement indicators for their trade development and aid-for-trade strategies, often developed in consultation with donors, and sometimes subject to frequent review.

At present Cambodia does not have formal mechanisms to monitor and evaluate the results and impacts of its aid for trade. However, it is intended to develop such mechanisms as part of the implementation of the DTIS 2007. To date, monitoring has been done on a project-by-project basis focusing on outputs and expenditure. The goal is also to develop indicators that help monitor the contribution of trade to human development and poverty reduction.

In Malawi, the success of the MGDS – which has trade elements but is not a trade development strategy specifically - is reviewed through consultative processes (not described in the response) and a major annual review.

In Mauritius, partners collectively agree on strategies and benchmarks with line Ministries. External partners also make their own independent assessments of progress. Mandatory consultations are held with partners collectively three times a year in order to take stock of progress and agree on new indicators and targets.

In the Philippines, quantitative and qualitative indicators, as well as timelines, were set for the MTPDP 2002-10. For agricultural trade, programme monitoring and evaluation are usually discussed with the donor concerned. And every part of Peru's export strategy has associated achievement indicators.

Panama has developed a series of achievement indicators that cover trade and related outcomes. Increments in the real value of exports required to achieve poverty reduction goals are specified. The National Strategic Trade Strategy 2004-09 also establishes indicators over the medium and long terms, as follows:

- Medium-term goals (2007) include: i) increase exports by 15%; ii) increase non-traditional exports by 10%; iii) foster exports from 20 new firms; and, iv) attract 5 new international firms to Panama.

- Longer-term goals (2009) include: i) increase exports by 32%; ii) increase exports of non-traditional products by 20%; iii) foster exports from 40 new companies; and, iv) attract 20 new international firms to Panama.

In Uruguay, objectives are said to vary according to each Ministry. There appear to be no overall aid-for-trade achievement measures.

Joint monitoring and evaluation is being planned

Mauritius, Panama and the Philippines note that they engage with donors in joint monitoring and evaluation of aid for trade. Cambodia does not yet do so but plans to in future. In Malawi, donors are incorporated as members of Steering Committees by the Ministry of Industry and Trade on all donor-funded trade-related projects. Peru lists the donors it works with, but does not specify whether it participates with these donors in joint evaluations. Nor does Uruguay provide an indication on this issue.

6. Is Mutual Accountability Taking Place?

Some Aid-for-Trade Committees, or equivalent bodies have been established

In Malawi an Aid-for-Trade Committee was set up in December 2006, comprising representatives from the public, private and non-governmental sectors. In Cambodia an equivalent body, the Sub-Steering Committee on Trade Development and Trade-Related Investment, has also been created (already described above).

Panama does not have a committee exclusively to follow aid for trade. However, Panama did refer to its Department for International Technical Co-operation, which among other functions approves the programming of technical co-operation, co-ordinates with government and non-governmental bodies, monitors the effectiveness of technical co-operation, and co-ordinates with the Ministry of Foreign Affairs in programme and project-related negotiations.

While a large number of public entities are involved in supporting Peru's National Competitiveness Plan, there is no aid-for-trade committee as such. However, the Peruvian Agency for International Co-operation takes a lead role on co-ordination of aid for trade. Similarly, with Mauritius, there is no reference to an aid-for-trade committee, although a designated body (NAFTC) meets as often as required to monitor progress and review strategy. In Uruguay there is no aid-for-trade committee, and the Philippines did not respond to this particular issue.

In most countries, a range of actors is involved in reviewing progress on aid-for-trade commitments

As has been described in various parts of this chapter, the design, implementation and review of trade development strategies, and the associated aid for trade, has often been an inclusive process engaging a wide spectrum of stakeholders. In Mauritius, for instance, mandatory consultations are held with partners collectively three times a year to take stock of progress and agree new indicators and targets. Cambodia likewise described a highly inclusive process led by the Sub-Steering Committee on Trade Development and Trade-Related Investment.

Panama describes a number of instruments – conventions, agreements, memoranda of understanding and Commissions – as well as programmes agreed with multilateral agencies and numerous sources of bilateral co-operation (including with a number of other Latin American countries), each of which establishes joint mechanisms for monitoring.

Malawi did not respond specifically to the case of aid for trade, but described general aid-related processes that also encompass the trade sphere. It notes that pre-budget consultations are held with the Ministry of Finance (MoF) prior to budget presentation. The budget framework and key policies are discussed with representatives of the private sector, donors and civil society. Every year the MoF undertakes a Joint Country Program Review to review implementation of development programmes with donors (which representatives of the private sector and civil society are also invited to attend).

Conclusions

Global monitoring of aid for trade is a work-in-progress. Organising a successful round of monitoring, in such a short period of time, was no small undertaking. The three tiered monitoring framework that was developed jointly by the OECD and the WTO has uncovered a number of important findings which are highlighted in the executive summary. The conclusions point to some lessons learned that need to be addressed before undertaking the next global review

Global flows

As for any database, there are methodological and data challenges that currently confront attempts at quantifying global aid for trade. Constraints relate to the fact that available data cannot match *exactly* all of the six WTO Task Force categories of aid for trade and that, therefore, it becomes necessary to rely on proxy measures. Like all proxies, these are imperfect. Also, the quantification of global flows requires that data be set against donors' knowledge of the scale of the trade dimension in their programmes that have both trade and non-trade components, as is often the case in infrastructure projects. The survey shows, however, that most donors lack the institutional capacity to refine the global CRS aid-for-trade proxies. Consequently, monitoring aid for trade based on CRS proxies is probably more effective in assessing trends over time within agencies than comparing flows between agencies.

In full awareness of the data limitations set out above, the 2002-05 baseline for bilateral and multilateral aid-for-trade flows has nevertheless been established. Furthermore, some statistical trends in the aid-for-trade categories established by the WTO Task Force on Aid for Trade, as well as trends across regions and country income groups, have been analysed and have shown, among other things, that the volume of aid for trade is increasing, while its share in sector allocable aid continues to decline. This is due to the continued increasing prominence of social-sector spending in aid programmes. The announced scaling up of aid, however, allows for additional aid for trade in the medium term, without crowding out social-sector spending.

Further analysis is required to identify the main drivers of global aid-for-trade volumes and patterns. Better data would allow for a more in-depth cross-country analysis of allocation patterns and complement the information derived from the donor and partner-country self-assessments.

Surveys

Monitoring aid for trade is based on the concept of mutual accountability – that aid is more effective when donors and partner country governments are not only accountable to their respective publics for the use of resources to achieve development results, but are also accountable to each other for better management of aid. The survey shows global monitoring can work.

The aid-for-trade initiative has stimulated an important dialogue in countries and agencies on how to deliver aid for trade. All donor agencies have made major efforts to implement the aid-for-trade recommendations within their organisations and communicate its importance to their staff, and there has been at least some implementation activity at country level. Partner countries also noted that the questionnaire provided incentives for inter-ministerial dialogue and co-operation.

The fact that the number of partner-country responses is relatively small is a reflection of the pilot nature of the partner-country questionnaire. It also reflects the limited time available for extensive consultation with partner countries prior to the first round of monitoring. Clearly, significantly expanding coverage among partner countries is a critical goal for future monitoring of aid for trade. Among other things, this will require in-depth consultation with partner countries on the process of questionnaire completion and on how the administrative burden entailed might be streamlined.

Achieving these goals is part of an evolving process. The partner-country responses highlight a number of areas where the capacities needed to successfully underpin this process require further attention. For instance, more precise costing of trade development strategies and aid-for-trade needs, upgraded aid management information systems, more attention to the practicalities of using regional-level levers in the development process, and establishing national aid-for-trade committees or focal points are all cases in point, to different degrees, in different countries.

The commitments on management for results calls for donors and partner countries to direct resources to achieving results, and using information on results to improve decision making and programme performance. The survey suggests that translating evidence on results into processes of policy improvement remains a major challenge in the majority of respondents. Furthermore, greater effort will be needed to establish specific mechanisms for joint monitoring of aid effectiveness at the country level.

Next steps

It is evident from the feedback on this survey that the next survey will need to be improved if the value of the monitoring system is to be maximised. There are five main priority areas for improvement.

1. Management of the survey cycle: this first monitoring instalment was rushed through in four months, which greatly hampered the consultation process with WTO Members as well as communication with capitals. In particular, partner countries had very little time to react, with most having received the questionnaires only one to two months before the deadline for answers. Clearly, the next monitoring round will require very careful planning, communication and early involvement of donors and partner countries.

2. Securing a higher return rate from partner countries is essential. Better planning and communication will help, but some concerns have been raised about the high transaction costs of responding to the questionnaire and this is particularly true for the partner countries. It was suggested that the guidance should be improved and the concepts and definitions should be clarified and standardised. Moreover, in-depth consultation with partner countries about the design of the questionnaires might be required to ensure that most partner countries benefit from the process of answering the questionnaire and not only from the overall results of the monitoring exercise.

3. Information on best practices is needed. The cover letter to the questionnaires included a request to send examples of best-practice cases. The response was disappointing and alternative ways of eliciting information on this key element of the monitoring framework will need to be considered.

4. As mentioned before, the objective of this survey was to provide a broad panorama on donors' objectives and delivery practices on aid for trade. It was felt that this would be best achieved with open-ended questions. However, following survey rounds should aim at eliciting more comparable data across donors, partner countries, and over time, so that progress can be assessed more accurately. This would change the type of questions while still allowing room for countries to tell their aid-for-trade story as they see fit.

5. The global monitoring framework of aid for trade is focused on countries as the main actors. At donor level, multilateral and regional institutions have been included, but at recipient level, only countries feature. This hinders the ability to serve the regional dimension of aid for trade. Some innovative thinking is needed on how to better integrate the regional element.

Annex I
Key Data

Table A1.1. Aid for trade (bilateral and multilateral) by category (2002-05)
Commitments, USD million (2005 constant prices)

	2002	2003	2004	2005	Baseline average (2002-2005) volume & Share
Trade Policy & Regulations	**817**	**614**	**478**	**654**	**641**
as % of sector allocable ODA	*1,6*	*1,0*	*0,7*	*1,0*	*1,1*
Economic infrastructure					
Transport & Storage	4 955	4 942	6 600	7 325	5 956
Communications	318	563	848	441	543
Energy	4 148	4 230	6 407	4 408	4 798
sub-total	**9 421**	**9 735**	**13 855**	**12 174**	**11 296**
as % of sector allocable ODA	*18,5*	*16,2*	*19,8*	*18,0*	*18,1*
Productive capacity building (1)					
Banking & Financial Services	1 227	1 332	1 210	1 263	1 258
Business & Other Services	1 126	1 421	1 818	1 056	1 355
Agriculture, Forestry, Fishing	3 788	4 623	4 172	4 457	4 260
Industry, Mining & Construction	1 402	1 921	2 496	1 977	1 949
Tourism	45	91	63	164	91
sub-total	**7 587**	**9 388**	**9 759**	**8 918**	**8 913**
as % of sector allocable ODA	*14,9*	*15,6*	*13,9*	*13,2*	*14,4*
Total aid for trade	**17 826**	**19 738**	**24 092**	**21 745**	**20 850**
Sector allocable ODA	**51 051**	**60 232**	**69 973**	**67 528**	**62 196**
Aid for trade as % of sector allocable ODA	*34,9*	*32,8*	*34,4*	*32,2*	*33,6*

(1) Productive capacity building includes trade development.

Source: OECD Creditor Reporting System

Table A1.2. Aid for trade: by donor and major category (2002-05 average)
Commitments, USD million (2005 constant prices)

	Trade policy & regulations	Economic infra-structure	Productive capacity building (1)	Total aid for trade	Total aid for trade as share of donor sector allocable ODA
Australia	7,1	51	97	155	15,6
Austria	0,1	21	19	41	17,1
Belgium	3,6	48	158	210	26,8
Canada	16,2	38	226	280	20,3
Denmark	0,5	181	193	374	37,3
Finland	2,1	26	41	70	20,4
France	3,9	330	325	660	21,9
Germany	13,3	520	606	1140	27,3
Greece	0,3	7	5	12	7,6
Ireland	0,1	7	21	28	9,7
Italy	2,2	137	86	225	43,3
Japan	50,8	3749	964	4764	62,3
Luxembourg	0,2	1	13	14	12,1
Netherlands	16,5	130	365	512	24,8
New Zealand	1,4	3	12	17	13,9
Norway	8,0	84	141	233	19,0
Portugal	0,1	33	8	41	19,9
Spain	1,3	229	158	388	34,3
Sweden	15,0	95	101	210	17,1
Switzerland	27,9	30	165	222	33,9
United Kingdom	26,8	298	386	711	22,9
United States	219,7	1581	1622	3423	25,4
Total DAC countries	**417**	**7601**	**5712**	**13731**	**31,3**
AfDF	43	240	291	574	48,0
AsDF	31	330	363	724	49,1
EC	171	1261	971	2403	36,4
IDA	32	1747	1320	3099	47,3
IDB Special Fund	4	110	108	222	48,2
IFAD	..	15	146	161	40,1

(1) Productive capacity building includes trade development.

Source: OECD Creditor Reporting System

Table A1.3. The 25 highest recipients of aid for trade during 2002-05

Commitments, USD million (2005 constant prices) (1)

	Region	Income Group	2002	2003	2004	2005	Baseline average 2002-2005 (volume)	AfT over total world AfT (%) (2)	AfT over total sectoral ODA	Aid as a percentage GNI (2005)
Viet Nam	Asia	Other Low Income	1 455	1 130	1 495	1 484	1 391	9	51	3,7
India	Asia	Other Low Income	1 196	1 462	1 757	1 097	1 378	9	38	0,2
Indonesia	Asia	Lower-Middle	596	1 366	1 322	925	1 052	7	52	0,9
China	Asia	Lower-Middle	858	1 070	506	399	708	4	29	0,1
Bangladesh	Asia	Least-Developed	509	863	777	347	624	4	32	2,1
Egypt	Africa	Lower-Middle	619	480	540	389	507	3	51	1,0
Ethiopia	Africa	Least-Developed	367	542	422	564	474	3	42	17,1
Sri Lanka	Asia	Lower-Middle	591	373	336	364	416	3	54	5,1
Serbia	Europe	Lower-Middle	376	369	351	364	365	2	35	..
Pakistan	Asia	Other Low Income	383	508	186	292	342	2	36	1,5
Thailand	Asia	Lower-Middle	437	92	444	390	341	2	61	-0,1
Tanzania	Africa	Least-Developed	203	210	361	487	315	2	24	12,2
Philippines	Asia	Lower-Middle	751	172	156	173	313	2	65	0,5
Kenya	Africa	Other Low Income	30	260	529	360	295	2	27	4,0
Morocco	Africa	Lower-Middle	237	337	293	241	277	2	28	1,3
Mozambique	Africa	Least-Developed	202	328	280	289	275	2	37	20,1
Madagascar	Africa	Least-Developed	160	407	164	269	250	2	58	18,7
Ghana	Africa	Other Low Income	174	259	239	239	228	1	24	10,6
Uganda	Africa	Least-Developed	243	66	321	229	215	1	29	14,0
Bolivia	America	Lower-Middle	220	318	164	137	210	1	35	6,4
Senegal	Africa	Least-Developed	84	239	213	247	196	1	40	8,5
Burkina Faso	Africa	Least-Developed	67	379	173	147	192	1	44	11,6
Tunisia	Africa	Lower-Middle	521	64	106	59	188	1	42	1,4
Nigeria	Africa	Other Low Income	186	78	234	240	185	1	14	7,6
Zambia	Africa	Least-Developed	136	162	243	151	173	1	29	13,9
TOTAL of 25			**10 600**	**11 534**	**11 610**	**9 882**	**10 906**	**69,1**		

(1) These are the 25 countries that, averaged over the four-year period, received most aid for trade.

(2) Calculated as the average of the share in each of the four years.

Note: AfT: aid for trade; GNI: gross national income

Source: OECD Creditor Reporting System and World Development Indicators.

Table A1.4. Regional distribution of aid for trade (2002-05)
Commitments, USD million (2005 constant prices)

	2002	2003	2004	2005	Baseline average 2002-2005 (volume)	Baseline 2002-2005 (share: %)
Africa						
Trade policy and regulations	525	170	152	313	290	1
Economic infrastructure	2 438	3 399	3 252	3 742	3 208	15
Productive capacity building (1)	2 377	3 019	2 955	2 588	2 735	13
Sub-total					6 232	30
America						
Trade policy and regulations	31	36	84	75	57	0
Economic infrastructure	503	309	346	539	424	2
Productive capacity building (1)	1 086	870	1 083	830	967	5
Sub-total					1 448	7
Asia						
Trade policy and regulations	146	164	112	135	139	1
Economic infrastructure	5 445	5 305	9 495	6 193	6 610	32
Productive capacity building (1)	2 554	4 385	4 408	4 096	3 861	19
Sub-total					10 610	51
Europe						
Trade policy and regulations	3	25	21	23	18	0
Economic infrastructure	531	390	167	1 372	615	3
Productive capacity building (1)	641	238	230	420	382	2
Sub-total					1 015	5
Oceania						
Trade policy and regulations	3	2	2	2	3	0
Economic infrastructure	34	98	218	90	110	1
Productive capacity building (1)	144	62	52	110	92	0
Sub-total					204	1
Global programmes						
Trade policy and regulations	109	217	106	105	134	1
Economic infrastructure	471	235	377	239	330	2
Productive capacity building (1)	786	814	1 032	873	876	4
Sub-total					1 341	6
Total aid for trade	**17 826**	**19 738**	**24 092**	**21 745**	**20 850**	**100**

(1) Productive capacity building includes trade development.

Source: OECD Creditor Reporting System and WTO/OECD Trade Capacity Building Database

Table A1.5. Distribution of aid for trade by income group (2002-05)
Commitments, USD million (2005 constant prices)

	2002	2003	2004	2005	Baseline average 2002-2005 (volume)	Baseline 2002-2005 (share: %)
Least developed countries						
Trade policy and regulations	34	54	29	71	47	0,2
Economic infrastructure	1 946	3 047	3 357	3 588	2 985	14,3
Productive capacity building (1)	1 519	2 448	2 392	2 498	2 214	10,6
Sub-total					5 246	25,2
Other low-income countries						
Trade policy and regulations	65	58	36	104	66	0,3
Economic infrastructure	2 695	2 258	3 387	2 341	2 670	12,8
Productive capacity building (1)	1 696	2 012	1 879	1 874	1 865	8,9
Sub-total					4 601	22,1
Lower middle-income countries						
Trade policy and regulations	511	175	180	204	268	1,3
Economic infrastructure	3 786	3 093	6 382	4 510	4 443	21,3
Productive capacity building (1)	2 259	2 973	3 495	2 717	2 861	13,7
Sub-total					7 571	36,3
Upper middle-income countries						
Trade policy and regulations	20	33	24	16	23	0,1
Economic infrastructure	381	466	95	1 169	528	2,5
Productive capacity building (1)	782	372	237	520	478	2,3
Sub-total					1 029	4,9
Regional/ multi-country						
Trade policy and regulations	187	294	209	258	237	1,1
Economic infrastructure	613	871	633	566	671	3,2
Productive capacity building (1)	1 331	1 583	1 756	1 309	1 495	7,2
Sub-total					2 403	11,5
Total aid for trade	**17 826**	**19 738**	**24 092**	**21 745**	**20 850**	**100,0**

(1) Productive capacity building includes trade development.

Source: OECD Creditor Reporting System and WTO/OECD Trade Capacity Building Database

Table A1.6. Multi-country programmes by activity
Commitments, USD million (2005 constant prices) and percentages

	2002	2003	2004	2005	Average 2002-2005
Trade Policy and Regulations	164	284	204	258	227
% of total Trade Policy and Regulations	*20*	*46*	*43*	*39*	*37*
Economic Infrastructure	11774	12489	16882	14493	13909
% of total Economic Infrastructure	*7*	*10*	*6*	*7*	*8*
Building Productive Capacity	1110	1376	1596	1200	1321
% of total Building Productive Capacity	*15*	*15*	*16*	*13*	*15*

Source: OECD Creditor Reporting System

Table A1.7. Multi-country programmes by region
Commitments, USD million (2005 constant prices) and percentages

	2002	2003	2004	2005	Average 2002-2005
Africa	376	1122	719	437	663
America	200	145	122	180	162
Asia	119	148	151	212	157
Europe	34	50	44	47	44
Oceania	18	18	19	40	24
Multi-country, Unspecified	988	896	1193	1025	1026
Total Regional	1736	2379	2248	1942	2076
% of total AFT	*9,7*	*12,1*	*9,3*	*8,9*	*10,0*

Source: OECD Creditor Reporting System

Annex II
Methodological Considerations

The WTO Task Force defined aid for trade in a way that is both broad enough to reflect the diverse trade needs identified by countries, and clear enough to establish a border between aid for trade and other development assistance of which it is a part. More specifically, projects and programmes should be considered as aid for trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies. At the same time, clear and agreed benchmarks are necessary for reliable global monitoring of aid-for-trade efforts to assure accurate accounting and to assess additionality. The WTO Task Force concluded that aid for trade comprises the following six categories: (a) trade policy and regulations; (b) trade development; (c) trade-related infrastructure; (d) building productive capacity; (e) trade-related adjustment; and (f) other trade-related needs.

To track aid-for-trade flows, data are needed that match, or closely correspond to, these six aid categories. The CRS – a database covering around 90% of all ODA - was recognised as the best data source for such a global tracking function. It was proposed to use the CRS instead of expanding the joint WTO/OECD Trade Capacity Building (TCB) database, which covers a much narrower set of activities. The CRS allows the tracking of aid commitments and disbursements, and provides comparable data across countries and time. The CRS also offers the benefit of an existing data collection - even though the use of this database initially entails the loss of some detail captured in the TCB database. Table A2.4 details the definition and codes of the CRS categories used in this report.

However, the CRS cannot provide data that match exactly all of the above six categories of aid for trade and in some cases it provides proxy measures. Below, we consider the extent of the data coverage for each of the six aid-for-trade categories, as well as ongoing refinements to the CRS data. We also examine why any global data on aid for trade must at this stage be considered approximate and be interpreted with appropriate caution.

i) *Trade development*. The volume of aid committed to trade development is not currently a separate category in the CRS (for this reason, data on trade development in the rest of this report are drawn from the joint WTO/OECD TCB database). Deliberations are ongoing with the donor community regarding approaches to tracking support for trade development in the CRS.

ii) *Trade-related infrastructure*. Aid commitments for trade-related infrastructure are proxied in the CRS by data under the heading "Economic infrastructure". This heading covers data on aid for energy, transport and communications. Why do the CRS data represent a 'proxy' for this Task Force category? The reason is that aid for economic infrastructure might be trade-related in one context but unrelated to trade in another. For instance, an energy project might have a significant trade component in one setting - if primarily servicing a tourism complex for example – but limited or no trade impact in another – if bringing electricity to rundown urban neighbourhoods. To know how close the CRS proxies are (e.g. how much of the hypothetical energy project relates to trade), the CRS data must be compared with donors' knowledge of the specific features of their infrastructure aid. As noted above, such comparison is a central part of the overall monitoring process.

iii) *Building productive capacity.* Data on commitments of aid for building productive capacity exist under the CRS heading entitled "Building productive capacity". This broad category of aid encompasses some projects that will not have a direct bearing on trade. For example, much support for agriculture involves assistance to subsistence farmers, with little direct impact on trade. Therefore, the approximate character of these data – proxying as they do for trade-specific productive capacity building, and unavoidably overstating this figure – should be borne in mind throughout.

iv) *Trade-related adjustment*. Commitments for trade-related adjustment could be proxied by data under the CRS heading "General budget support". This heading includes data on general contributions to the government budget, support for the implementation of macro-economic reforms (structural adjustment programmes and poverty reduction strategies), and transfers for stabilisation of the balance of payments. Clearly, not all of these have to be trade-related. Work is currently underway with the donor community to create a new CRS code that would specifically distinguish aid commitments for trade-related adjustment.

   Tables A2.1, A2.2 and A2.3 in this annex illustrate the magnitudes of flows of aid for general budget across income groups, regions and major recipients. ODA for general budget support averaged USD 5.7 billion a year from 2002-05, some 36% of all the other aid-for-trade categories combined. The World Bank is the largest provider of support in this area, with an annual average of USD 1.7 billion during 2002-05, the European Commission being the next largest donor at USD 0.9 billion. LDCs are by far the largest recipients of general budget support, with more than half the total volume. This predominance reflects weaknesses in a range of economic and institutional conditions in many of the poorest countries. Among the LDCs, Bangladesh, Mozambique, Niger and Tanzania have been major recipients during 2002-05. OLICs and LMICs together accounted for around 20% of all general budget support. The fact that a large number of LDCs are located in Africa explains why, from a regional perspective, Africa is also the major recipient of general budget support.

   A noticeable feature in the data is the high degree of concentration of general budget support: in 2005 just ten countries accounted for well over half of all such flows. It is also clear from Table A2.3 that flows within countries over time can exhibit marked variation. Over the 2002-05 period, for instance, flows roughly doubled in Jordan, and halved in Pakistan. The inclusion of general budget support in the overall measure of aid for trade (which is itself an imperfect proxy for trade-related adjustment), would greatly complicate and possibly misinterpret the quantification of aid for trade. Although the flows of general budget support are large, they remain highly concentrated among recipients and volatile.

v) *Other trade-related needs*. No CRS data exist on this category. To estimate the volume of such "other" commitments donors would need to examine aid projects in sectors other than those considered so far – for example in health and education – and indicate what share, if any, of these activities have an important trade component. A health programme, for instance, might permit increased trade from localities where the disease burden was previously a constraint on trade.

Consideration of the above features of the CRS proxies shows that to accurately monitor volumes of aid for trade it is not sufficient to count the volume of aid committed to certain types of programme.

Additional information is needed on specific programme circumstances (for instance what part of an infrastructure project is trade related). Furthermore, data on the Task Force category "Other Trade-Related Needs" cannot be gleaned from the CRS. The estimation of such flows requires that donors indicate the share of activities in social sector programmes deemed to have a significant trade dimension. Overall, comparison of the CRS data with donor and recipient accounts of their aid for trade will help to refine the measurement of aid for trade as defined by the Task Force.

Table A2.1. General budget support by income group

Commitments, USD million (2005 constant prices)

	2002	2003	2004	2005	Average 2002-2005
Least Developed	2857	2766	3135	3171	2982
Other Low Income	2049	907	1586	1062	1401
Low Middle Income	560	1638	465	888	887
Upper Middle Income	232	1083	33	12	340
Unallocated by income	228	119	132	87	142
Total General Budget Support	5925	6513	5351	5220	5752

Table A2.2. General budget support by region

Commitments, USD million (2005 constant prices)

	2002	2003	2004	2005	Average 2002-2005
Africa	3314	2706	3310	3134	3116
America	106	224	311	220	215
Asia	1791	2156	1510	1725	1795
Europe	307	1140	65	17	382
Oceania	181	172	33	40	107
Unallocated/Unspecified	226	115	122	85	137
Total General Budget Support	5925	6513	5351	5220	5752

Table A2.3. Top 10 General budget support recipients

Commitments, USD million (2005 constant prices)

	2002	2003	2004	2005	Average 2002-2005
Pakistan	960	158	435	512	516
Tanzania	378	470	369	418	409
Burkina Faso	274	127	96	391	222
Mozambique	389	98	366	380	308
Ghana	51	460	254	266	258
Bangladesh	0	335	204	200	185
Indonesia	48	22	0	199	67
Viet Nam	12	146	333	197	172
Niger	53	227	13	189	120
Jordan	96	977	36	188	324
% top 10 in total GBS	*38*	*46*	*39*	*56*	*45*

Source: OECD Creditor Reporting System

Table A2.4. CRS categories: codes and definitions

Line Number	Description	Content
TRADE POLICY AND REGULATIONS		
331	Trade Policy and Regulations	Tradepolicy and planning; trade facilitation; regionaltradeagreements; multilateral trade negotiations; multisector wholesale/retailtradeand trade promotion.
ECONOMIC INFRASTRUCTURE		
210	Transport and Storage	Covers road, rail, water and airtransport and storage, whether or not related to transportation.
220	Communications	Includes all communications (post and telecommunications, radio, television, print media), ICT.
230	Energy Generationand Supply	Covers both the productionand distributionof energy. Assistance towards thepeaceful use of nuclear energy is reportable as ODA. This includes the construction and decommissioning of nuclearpowerreactors for civilian power supply, thedevelopment orsupply of medicalisotopes, andfood irradiation and other industrial and commercial applications. Nuclear weapons research and other military applications of nucleartechnology are excluded.
BUILDING PRODUCTIVE CAPACITY		
250	Business and Other Services	Includes business development and activities aimed at improving the business climate; privatisation.
240	Bankingand Financial Services	Covers assistance to finance and banking in both formal and informal sectors.
311	Agriculture	Including agriculture sector policy, agricultural development and inputs, management of landand agricultural waterresources, crops and livestock population, agrarian reform, agricultural credit, co-operatives and research as wellas veterinary services.
312	Forestry	Includes forestry policy, planning and programmes, fuelwood and charcoal projects, forestry education, research and development.
313	Fishing	Includes fisheries policy, planning andprogrammes as wellas fisheries research and education.
321	Industry	Industrialpolicy, smallbusiness and craft development; all types of manufacturing, including agro-processing, chemicals and fertilisers, gas liquefactionandpetroleum refining, fuel wood production, textiles and leather.
322	Mineral Resources and Mining	Includes miningandminerals policy and programmes, geology, and extractionof metals, minerals and fuels.
332	Tourism	Tourism policy and administrativemanagement.
GENERAL BUDGET SUPPORT		
510	General Budget Support	Unearmarkedcontributions to the government budget, support for the implementationof macroeconomic reforms, transfers to stabilise the balance-of-payments and generalprogramme assistance when not allocableby sector.
	From 2008 there will bea new sub-category: Trade-related adjustment	Unearmarkedcontributions to the government budget to assist the implementationof recipients' own trade reforms and adjustments to trade policy measures by othercountries; assistance to manageshortfalls in the balance of payments due to changes in the world trading environment.

Source: OECD/WTO Partner Country Questionnaire

Annex III

List of ODA Recipient Countries by Region and by Income Group

A) Region

AFRICA

AFRICA, NORTH OF SAHARA

Algeria
Egypt
Morocco
Tunisia

AFRICA, SOUTH OF SAHARA

Angola
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Comoros
Congo, Dem Rep
Congo, Rep
Côte d'Ívoire
Djibouti
Equatorial Guine
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Kenya
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Mozambique
Namibia
Niger
Nigeria
Rwanda
St. Helena
Sao Tome & Principe
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
Sudan
Swaziland
Tanzania
Togo
Uganda
Zambia
Zimbabwe

AMERICA

NORTH & CENTRAL AMERICA

Anguilla
Antigua & Barbuda
Barbados
Belize
Costa Rica
Cuba
Dominica
Dominican Republic
El Salvador
Grenada
Guatemala
Haiti
Honduras
Jamaica
Mexico
Montserrat
Nicaragua
Panama
St.Kitts-Nevis
St.Lucia
St.Vincent& Grenadines
Trinidad & Tobago
Turks & Caicos Isl
West Indies unallocated
N. & C. America unalloc

SOUTH AMERICA

Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Guyana
Paraguay
Peru
Suriname
Uruguay
Venezuela

ASIA

MIDDLE EAST ASIA

Bahrain
Iran
Iraq
Jordan
Lebanon
Oman
Palestinian admin. areas
Saudi Arabia
Syria
Yemen

SOUTH & CENTRAL ASIA

Afghanistan
Armenia
Azerbaijan
Bangladesh
Bhutan
Georgia
India
Kazakhstan
Kyrgyz Rep
Maldives
Myanmar (Burma)
Nepal
Pakistan
Sri Lanka
Tajikistan
Turkmenistan
Uzbekistan

FAR EAST ASIA

Cambodia
China
East Timor
Indonesia
Korea, dem.
Laos
Malaysia
Mongolia
Philippines
Thailand
Viet Nam

OCEANIA

Cook Islands
Fiji
Kiribati
Marshall Islands
Micronesia, Fed. Sts
Nauru
Niue
Palau
Papua New Guinea
Samoa
Solomon Islands
Tokelau
Tonga
Tuvalu
Vanuatu
Wallis & Futuna

EUROPE

Albania
Bosnia-Herzegovina
Croatia
Macedonia
Malta
Moldova
Slovenia
Turkey

B) Income Group

DAC List of ODA Recipients

Effective from 2006 for reporting on 2005, 2006 and 2007

Least Developed Countries	**Other Low Income Countries**	**Lower Middle Income Countries and Territories**	**Upper Middle Income Countries and Territories**
As per UN classification	(per capita GNI < $825 in 2004)	(per capita GNI $826-$3 255 in 2004)	(per capita GNI $3 256-$10 065 in 2004)
Afghanistan	Cameroon	Albania	■ Anguilla
Angola	Congo, Rep.	Algeria	Antigua and Barbuda
Bangladesh	Côte d'Ivoire	Armenia	Argentina
Benin	Ghana	Azerbaijan	Barbados
Bhutan	India	Belarus	Belize
Burkina Faso	Kenya	Bolivia	Botswana
Burundi	Korea, Dem.Rep.	Bosnia and Herzegovina	Chile
Cambodia	Kyrgyz Rep.	Brazil	Cook Islands
Cape Verde	Moldova	China	Costa Rica
Central African Rep.	Mongolia	Colombia	Croatia
Chad	Nicaragua	Cuba	Dominica
Comoros	Nigeria	Dominican Republic	Gabon
Congo, Dem. Rep.	Pakistan	Ecuador	Grenada
Djibouti	Papua New Guinea	Egypt	Lebanon
Equatorial Guinea	Tajikistan	El Salvador	Libya
Eritrea	Uzbekistan	Fiji	Malaysia
Ethiopia	Viet Nam	Georgia	Mauritius
Gambia	Zimbabwe	Guatemala	■ Mayotte
Guinea		Guyana	Mexico
Guinea-Bissau		Honduras	■ Montserrat
Haiti		Indonesia	Nauru
Kiribati		Iran	Oman
Laos		Iraq	Palau
Lesotho		Jamaica	Panama
Liberia		Jordan	Saudi Arabia (1)
Madagascar		Kazakhstan	Seychelles
Malawi		Macedonia, Former Yugoslav	South Africa
Maldives		Republic of	■ St. Helena
Mali		Marshall Islands	St. Kitts-Nevis
Mauritania		Micronesia,Fed. States	St. Lucia
Mozambique		Morocco	St. Vincent & Grenadines
Myanmar		Namibia	Trinidad & Tobago
Nepal		Niue	Turkey
Niger		Palestinian Adm. Areas	■ Turks & Caicos Islands
Rwanda		Paraguay	Uruguay
Samoa		Peru	Venezuela
Sao Tome & Principe		Philippines	
Senegal		Serbia & Montenegro	
Sierra Leone		Sri Lanka	
Solomon Islands		Suriname	
Somalia		Swaziland	
Sudan		Syria	
Tanzania		Thailand	
Timor-Leste		■ Tokelau	
Togo		Tonga	
Tuvalu		Tunisia	
Uganda		Turkmenistan	
Vanuatu		Ukraine	
Yemen		■ Wallis & Futuna	
Zambia			

■ Territory

(1) Saudi Arabia passed the high income country threshold in 2004. In accordance with the DAC rules for revision of this List, it will graduate from the List in 2008 if it remains a high income country in 2005 and 2006. Its net ODA receipts from DAC Members were USD 9.9 million in 2003 and USD 9.0 million (preliminary) in 2004.

Annex IV

OECD/WTO Donor and Partner Country Questionnaires on Aid for trade

OECD

WORLD TRADE ORGANIZATION

DONOR QUESTIONNAIRE ON AID FOR TRADE

WHAT IS YOUR AID-FOR-TRADE STRATEGY?

1. Do you have an aid-for-trade strategy and what are the key elements in this strategy?
2. How has this strategy evolved since the December 2005 WTO Ministerial Conference?
3. How does this strategy address regional aid-for-trade challenges?

HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?

SCOPE

4. How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?[1]

METHODOLOGY

5. How do you allocate the aid-for-trade share in individual projects and programmes?

COMMITMENTS

6. According to your aid-for-trade definition, what were your commitments by category for the period 2002-2005 and in particular for 2005?[2]

PLEDGES

7. Describe any aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference?
8. What is your medium-term (beyond 3 years) financial plan for aid-for-trade?

HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?

MAINSTREAMING

9. How do you ensure that aid-for-trade is effectively integrated in your overall development strategy and programming both at headquarters and in-country?
10. Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?

[1] For your information, the WTO Task Force defined aid-for-trade in the following way: "Projects and programmes should be considered as aid-for-trade if these activities have been identified as trade-development priorities in the recipient country's national development strategies". The Task Force underlined that clear and agreed benchmarks are necessary for global monitoring of Aid-for-Trade efforts. To this end, it identified the following categories: [a] trade policy and regulations (incl. trade facilitation); [b] trade development; [c] trade-related infrastructure; [d] building productive capacity; [e] trade-related adjustment; and [f] other trade-related needs.

[2] In order to facilitate your data reporting, we have attached in the Annex a description of the Creditor Reporting System (CRS) categories, along with a profile of your data for 2002 to 2005, that proxy the WTO Task Force aid-for-trade definition (set out in the preceding footnote). The request for data for 2006 on the same basis was issued in May 2007.

OWNERSHIP

Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.

11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?[3]

12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?

ALIGNMENT

Refers to donors basing their overall support on partner countries' national development strategies, institutions and procedures.

13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your aid-for-trade programmes?

HARMONISATION

Refers to donors' actions being more harmonised, transparent and collectively effective.

14. Do you coordinate aid-for-trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?

15. Are you increasing the amount of aid-for-trade for regional and or multilateral programmes? (If you are a regional or multilateral agency, are you managing an increasing amount of aid-for-trade?)

MANAGEMENT FOR RESULTS

Refers to both donors and partner countries managing resources and improving decision making for results.

16. What objectives and timeframes do you set for your aid-for-trade strategy and programmes? How do you measure success?

17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?

18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.

19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfillment of your aid-for-trade policy and programme commitments?

[3] For example, do you have programmes to build the capacity of recipients to undertake assessments of trade development challenges and opportunities and integrate such assessments into medium-term planning and budgetary frameworks?

You are encouraged to provide summary responses to the questions in this document and to annex more detailed material.

Responses should be sent before 7 September 2007 to the following address:

WTO-OECD.Questionnaire@oecdshare.oecd.org

Please also send any queries to this mailbox.

OECD

WORLD TRADE ORGANIZATION

PARTNER COUNTRY QUESTIONNAIRE ON AID FOR TRADE

WHAT IS YOUR AID-FOR-TRADE STRATEGY?

1. What priority is accorded to trade development in your country's economic growth/national development/poverty reduction strategy?
2. Do you have a government-wide trade development strategy and if so what are its main priorities? What time period does it cover?
3. Does your trade development strategy specify aid-for-trade needs?
4. What are the main trade development challenges and opportunities you face which require collaboration with other countries in your region? Are these addressed in your trade development strategy?

HOW MUCH AID-FOR-TRADE DO YOU RECEIVE?

5. Have you costed your trade development strategy? What percentage of your trade development financial requirements do you expect to be funded by ODA?
6. Which activities do you consider are supporting your trade development strategy? Accordingly, how much aid-for-trade have you received by category for the period 2002-2005, and in particular in 2005?[1]
7. Describe any key trade development priorities that are constrained by lack of donors' funding?

HOW DO YOU IMPLEMENT YOUR AID–FOR-TRADE STRATEGY?

MAINSTREAMING

8. Describe the internal governmental coordination process to prepare your trade development strategy.

OWNERSHIP

Refers to partner countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.

9. What needs assessment tools do you use to formulate your trade development strategies (do you use diagnostic studies, e.g. such as those prepared under the Integrated Framework?)
10. How do you involve key stakeholders (including the private sector and civil society) in the identification of your trade development challenges and opportunities?

[1] Without any prejudice to your answer to this question, and to facilitate responses, we provide in the annex the information we hold on DAC donors' commitments to your country for the following aid categories: Trade Policy and Regulations, Economic Infrastructure, Productive Capacity Building.

PARTNER COUNTRY QUESTIONNAIRE ON AID FOR TRADE

ALIGNMENT

Refers to donors basing their overall support on partner countries' national development strategies, institutions and procedures.

11. Are external partners using your policy planning and budgeting framework as a basis for their aid-for-trade support?

12. How well do aid–for-trade flows reflect your government's trade development priorities and what aid management information system do you use?

HARMONISATION

Refers to donors' actions being more harmonized, transparent and collectively effective.

13. How do you encourage external partners to coordinate their trade related analyses and programming? Where, if at all, are the main co-ordination gaps?

MANAGEMENT FOR RESULTS

Refers to both donors and partner countries managing resources and improving decision making for results.

14. How do you measure the success of or your trade development and aid-for-trade strategies?

15. Do you cooperate with donors and other stakeholders in joint monitoring and evaluation of aid-for-trade programmes?

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.

16. The WTO Task Force recommended establishing "A National Aid-for-Trade Committee, where necessary, to ensure trade mainstreaming in national development strategies, determine country needs, set priorities, assist in matching 'demand' and 'response', and help in evaluation."[2] Has such a Committee, or an equivalent body, been established in your country?

17. Describe the process and key actors (such as donors, private sector-representatives, etc.) involved in reviewing progress toward fulfillment of your aid-for-trade and trade development commitments?

[2] World Trade Organisation, Recommendations of the Task Force on Aid for Trade, WT/AFT/1, 27 July 2006, p.6.

Responses should be sent before 28 September 2007 to the following address:

WTO-OECD.Questionnaire@oecdshare.oecd.org
Please also send any queries to this mailbox.

PARTNER COUNTRY QUESTIONNAIRE ON AID FOR TRADE