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AID FOR TRADE JOINT MEETING OF THE DEVELOPMENT ASSISTANCE COMMITTEE AND THE WORKING PARTY OF THE TRADE COMMITTEE

AID FOR TRADE: SHOWING RESULTS

Chapter 3. Flows and Financing

17 June 2011, OECD Conference Centre, Paris.

This document is submitted FOR COMMENT to the Joint Meeting of the DAC and Working Party of the Trade Committee under item 3 of the draft agenda [COM/DCD/TAD/A(2011)1/PROV].

This document contains Chapter 3 of the joint OECD-WTO publication "Aid for Trade at a Glance: Showing Results". The publication will be presented by Secretary-General Gurría at the 3rd Global Review of Aid for Trade on 18 July 2011 in Geneva.

Members are requested to provide their comments by Friday 24 June COB Paris time.

The chapter will be edited before publication.

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CHAPTER 3: FLOWS AND FINANCING

EXECUTIVE SUMMARY

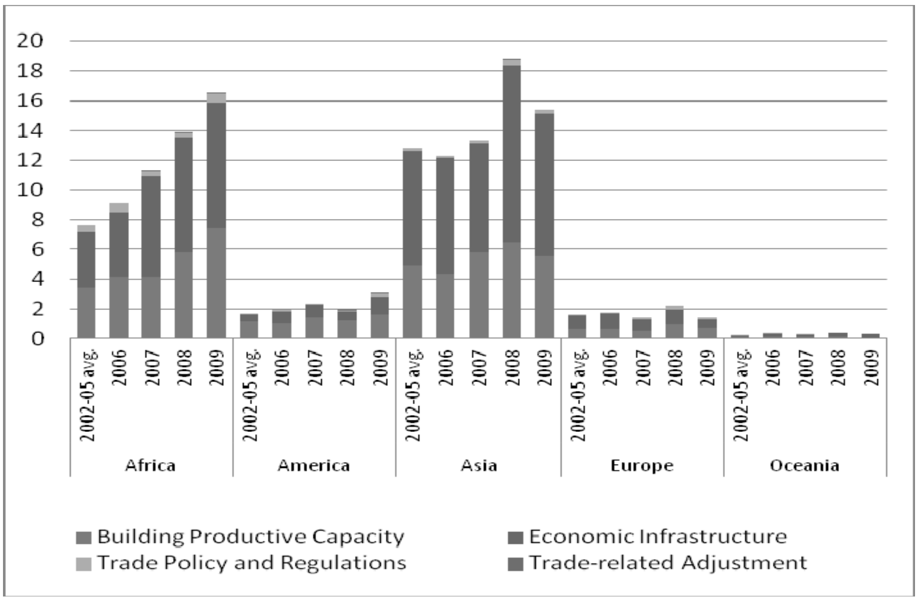
1. In 2009, aid-for-trade commitments reached approximately USD 40 billion, a 60% increase from the 2002-05 baseline. Non-concessional lending to trade-related sectors doubled to reach USD 51 billion. Half of all aid for trade is provided in grant form, mainly to the poorest developing countries. Disbursements have been growing steadily at 11-12% for each year since 2006 - reaching USD 29 billion in 2009 - indicating that past commitments are being met.

2. The outlook for aid for trade is stable, but growth rates are likely to diminish. While the changes from 2008 to 2009 were marginal in terms of aggregate flows - increasing by 2% - the pattern of who provided aid for trade, who received it and the categories supported varied considerably.

3. Aid for trade to sub-Saharan Africa increased by 40% to reach USD 13 billion and Africa now receives the largest share among the different regions. Commitments to the Americas increased by almost 60% to reach USD 3 billion. Aid for trade to other regions declined with Asia 18% down on 2008, Europe 34% and Oceania 28%. Reflecting this shift in distribution, Low Income Countries saw an increase of 26% in 2009, while Middle Income Countries declined by 29%. Global and regional programmes continued to grow, receiving USD 7 billion in commitments.

Aid for trade by Region and Category

Commitments, 2002/05-2009, USD billion (2009 constant)



4. At the sectoral level flows increased to agriculture, banking and finance, a likely response to both the food and financial crises. Increases in non-concessional flows were mostly targeted to banking and finance, energy and transport with 90% of total flows going to Middle Income Countries.

5. The numbers presented by the OECD allow the various stakeholders of the Aid-for-Trade Initiative to assess at the global level progress and patterns in resource mobilisation and distribution. However partner countries sometimes have difficulty matching these global numbers with specific aid-for-trade flows at the country level. This is a generic problem and reinforces the need for stronger local monitoring and tracking systems.

INTRODUCTION

6. The WTO Task Force on Aid for Trade noted a *"lack of empirical data has made it difficult to examine the relationship between policies related to trade and development performance. Better data and statistics were a precondition for better understanding the process of globalisation and its impact and for determining priorities for development cooperation"*. Five years on and the aid-for-trade community has assembled the data and statistics to provide a global picture on aid for trade. Clear benchmarks have been established for measuring flows and assessing additionality.[1] These data show that aid for trade has increased substantially though its distribution among developing countries has been uneven. Resource mobilisation has been central to the success of the Aid-for-Trade Initiative. However the outlook is moderate, conditioned by recent trends in overall Official Development Assistance (ODA). Moreover the latest available numbers highlight the changing environment induced by the economic crisis. Chapter 2 outlined how objectives, priorities and strategies have changed since 2008 and the last survey exercise. This chapter looks at the donor response and some of the financing issues identified by partner countries (some others will be addressed in Chapter 4). It will examine how flows have evolved in different sectors, regions and income groups. Further information on the methodology used in measuring global aid-for-trade flows can be found in the Annex.

7. There still remains a perception gap about how the tracking of flows at the global level captures what are in fact thousands of interactions between donors and partner countries at the country level. This chapter sets out to clarify these issues and provide details on how local monitoring systems could be improved. The chapter asks seven questions; 1.) Have global aid-for-trade trends changed? 2.) Who receives aid for trade? 3.) Who are the providers of aid for trade? 4.) What does aid for trade finance? 5.) What are the aggregate trends? 6.) What is the outlook for aid-for-trade flows? 7.) What do we know about local monitoring?

1. Have global Aid-for-Trade trends changed?

Aid for Trade has increased significantly in real terms…

8. In 2009, aid-for-trade commitments reached USD 40 billion, up 60% compared to the 2002-05 baseline and by 31% since the 2007 figures presented in the last Aid for Trade at a Glance (Figure 3.1).[2] Since the launch of the Aid-for-Trade Initiative in 2006 a total USD 137 billion has been committed with 44% going to building productive capacities, 53% to economic infrastructure and the remainder to trade policy and regulations and trade-related adjustment. In 2009 a greater share went to building productive

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1 The source of the data on aid flows is extracted from the OECD Creditor Reporting System (CRS) – a database covering around 90% of all ODA which was recognised as the best available data source for tracking global aid-for-trade flows.

2 In order to monitor aid for trade flows and to assess progress in meeting pledges made at the WTO Hong Kong Ministerial in 2005, the OECD has established a baseline of average aid for trade between 2002 and 2005.

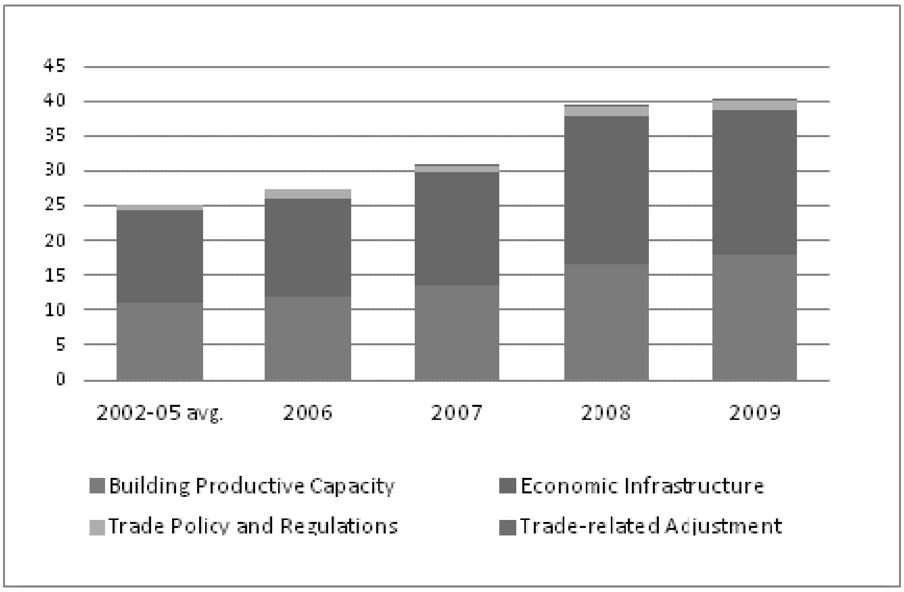
capacity, 45% of the total and slightly less to economic infrastructure (51%). Trade policy and regulations received approximately 3%.

…but the growth rate is slowing…

9. The increase in aid-for-trade commitments in 2009 compared to 2008 was just 2%. However this was preceded in 2008 by a significant increase of 28% from USD 31 billion in 2007 to USD 39 billion. Despite the 2009 moderate change in overall commitments, there is quite a lot of variation in the composition of aid for trade and in particular the contribution of the major donors. The share of aid for trade in sector allocable ODA declined from 35.6% to 33% from 2008 to 2009. The average share since the 2002-05 baseline though has been 33% indicating a stable share of sector allocable ODA. This highlights that the increase in aid for trade since 2006 has been additional, *i.e.* not at the expense of aid to other sectors.

Figure 3.1 Aid for Trade by Category, Commitments

2002/5 – 2009, USD billion (2009 constant)



Note: Building productive capacity includes trade development activities which are identifiable in the CRS since 2007 flows. Trade-related adjustment data are available since 2007 flows and may be invisible on the chart due to their small amounts.

Source: OECD-DAC, Aid activities database (CRS)

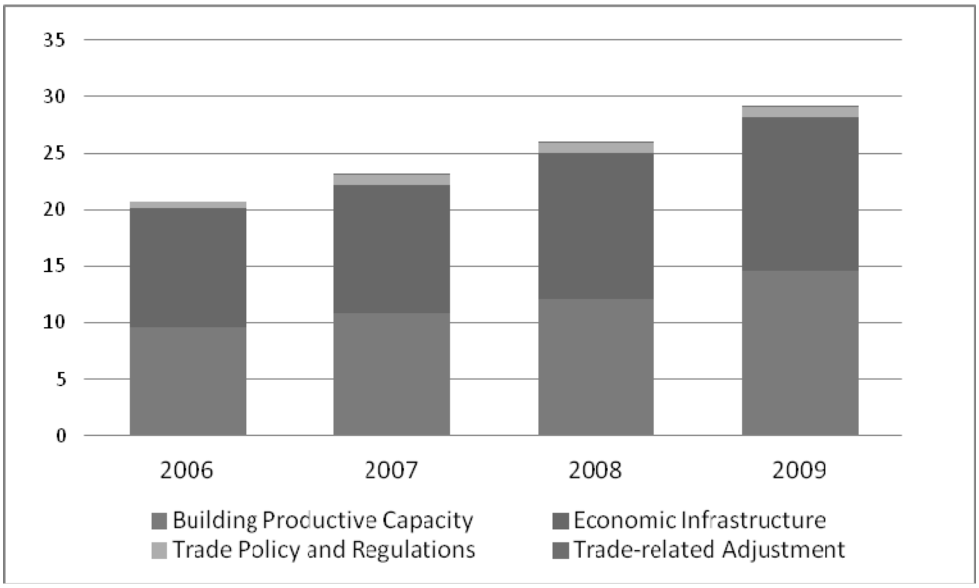
… while disbursements continue to grow…

10. Commitments are forward looking and show the amounts that donors will spend on certain development activities. Disbursements show actual financial payments and, thus, the realisation of donors' intentions and the implementation of their policies. As noted in the 2009 *Aid for Trade at a Glance* commitments generally lead to disbursements, but with a time lag. Commitments are often multiyear with subsequent disbursements spread over several years with, on average, infrastructure investment projects taking the longest time to implement, and lasting from five to eight years. Consequently, disbursement trends will always trail commitment trends.

11. As the Aid-for-Trade Initiative matures it is increasingly important to also review disbursements, which have been increasing annually at 11-12% since 2006 (Figure 3.2). In 2009 aid-for-trade disbursements reached USD 29 billion, up 40% since 2006.

Figure 3.2 Aid for Trade by Category, Disbursements

2002/5 – 2009, USD billion (2009 constant)



Note: Building productive capacity includes trade development activities which are identifiable in the CRS since 2007 flows.

Trade-related adjustment data are available since 2007 flows and may be invisible on the chart due to their small amounts.

Source: OECD-DAC, Aid activities database (CRS)

Other Official Flows doubled in 2009 to reach USD 50 billion…

12. Other Official Flows (OOF) are transactions by the official sector which do not meet the eligibility conditions for Official Development Assistance, mainly because they have a grant element of less than 25% (*i.e.* low concessional loans). As noted by the 2009 *Aid for Trade at a Glance Report*, these flows can play a crucial role in financing trade-related activities, but they are not aid for trade in the narrow sense of the definition. In 2009 there were substantial increases in OOF in areas related to trade. Overall flows totalled USD 50.5 billion, up USD 26.7 billion (112%) from 2008. This significant increase reflects the responses to the economic crisis by major international financial institutions, which boosted their non-concessional lending substantially (Figure 3.3). Furthermore, the capital base from which these operations are financed has been strengthened with capital replenishment exercises completed for the multilateral development banks.

….with almost half provided by the World Bank…

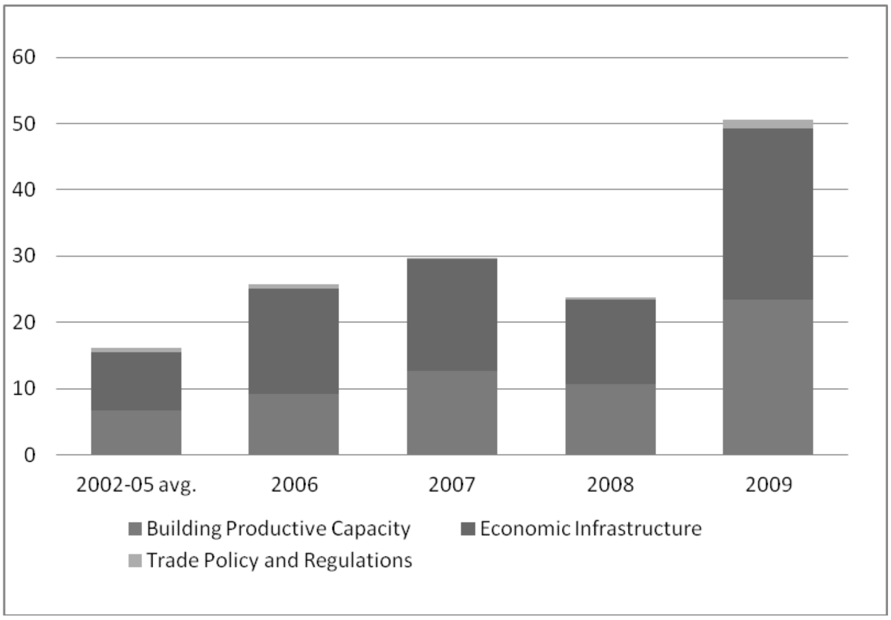
13. The World Bank is the largest provider of OOF and contributes 47% of total OOF (USD 23.6 billion) following a 115% increase in 2009. The African Development Bank increased its OOF six fold to reach USD 6.6 billion, 13% of the total. The Inter American Development Bank has also increased its available financing (See Box 3.2). The remainder was mainly provided by the Asian Development Bank (8%), the European Bank for Reconstruction and Development (7.5%) and Korea (4%).

… mostly to Banking, Energy and Transport…

14. Other Official Flows to economic infrastructure more than doubled to USD 25.8 billion. Resources to the category building productive capacity also more than doubled to USD 23.5 billion and trade policy and regulations expanded by 186% to USD 1.2 billion. Increases are strongly concentrated in three sectors; USD 10 billion more goes to banking and financial services, USD 7.7 billion more to energy and USD 5 billion more to transport and storage. Of the increases in banking, the World Bank Group provided an additional USD 5 billion; the African Development Bank lent USD 2.4 billion more and the Inter-American Development Bank almost USD 2 billion. In energy, the World Bank increased lending by USD 3.2 billion, the African Development Bank by USD 2.7 billion and the Inter-American Development Bank by USD 2 billion, while in transport and storage, increased lending by the World Bank amounted to an additional USD 3.8 billion, the IADB provided USD 800 million in additional lending and the African Development Bank USD 346 million.

Figure 3.3 Trade-related Other Official Flows

Commitments, 2002-05, USD billion (2009 constant)



Note: Building productive capacity includes trade development activities which are identifiable in the CRS since 2007 flows.

Source: OECD-DAC, Aid activities database (CRS)

…in Middle Income Countries…

15. As is to be expected Middle Income Countries (MICs) received 91% of all trade related OOF. Asia was the destination for 38% of these flows and 28% went to the Americas while 19% was provided for Africa, 14% for Europe and less than 1% for Oceania. In terms of individual recipient countries India received 14% of total OOF followed by Mexico (9%), Kazakhstan, Indonesia, South Africa and China (all at 6%). South Africa is the largest African recipient followed by Botswana (4%). The top ten OOF recipients attracted 62% of total flows and all are classified as Middle Income Countries. LDCs received most of their trade-related financing in ODA grants and loans and receive only minor OOF amounting to a total of USD 5 billion during the period 2002 to 2009. This represents around 3% of total trade-related OOF. Madagascar was the largest LDC recipient accounting for over 40% of total flows to the LDCs, in

2009. Almost all of these loans were destined for exploitation of mineral resources and mining. Despite the vary substantial increases in OOF in response to the global financial crisis, LDCs only recieved USD 1 billion or less than 2% of total trade-related OOF.

2. Who receives aid for trade?

Low Income Countries get the lion's share…

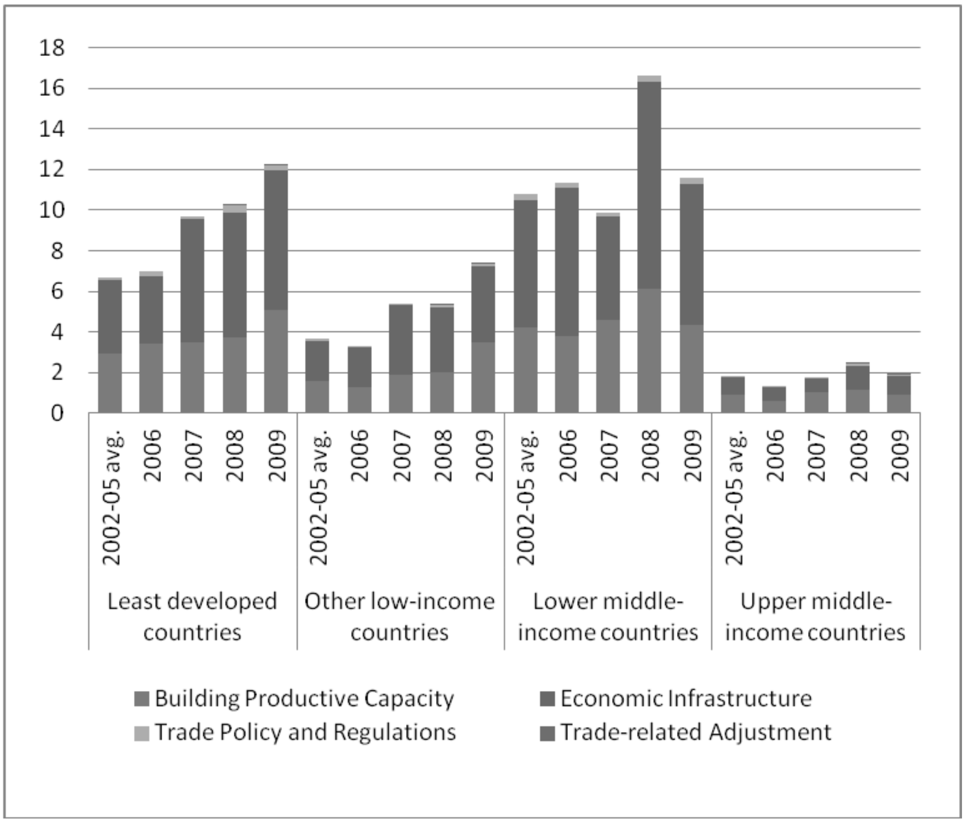
16. Low Income Countries (LICs) saw their share of aid for trade increase significantly from the 2002 – 2005 baseline, while the share of MICs declined. In 2009, LICs received almost half of total aid for trade up from 39.5% in 2008 with USD 12 billion for LDCs and USD 7.4 billion for OLICs (Figure 3.4). Between 2007 and 2009 the LDCs received USD 2.5 billion in additional commitments and OLICs received USD 2 billion more. Lower Middle Income Countries (LMICs) received USD 12 billion in aid for trade, a decline of USD 5.5 billion or 30% compared to 2008. This is mostly due to significantly declining flows to India and Iraq. Aid for trade to Upper Middle Income Countries (UMICs) declined USD 550 million to USD 1.9 billion and this income group now account for less than 5% of total aid-for-trade flows. As noted above, however, trade-related OOF to MICs have grown significantly since 2008.

…with significant increases to the LDCs…

17. While global aid for trade flows only increased by 2% between 2008 and 2009, those to the LDCs continued to increase by 20%. Consequently, the LDCs' share in total aid for trade has risen from 26.5% during the baseline period to 30.4% in 2009. Moreover, almost two thirds of all new commitments are provided as full grants, while this was only the case for 55% of the commitments during the baseline period.

Figure 3.4 Aid for Trade by Income Group and Category

Commitments, 2002/05 - 2009, USD billion (2009 constant)



Note: Building productive capacity includes trade development activities which are identifiable in the CRS since 2007 flows. Trade-related adjustment data are available since 2007 flows and may be invisible on the chart due to their small amounts.

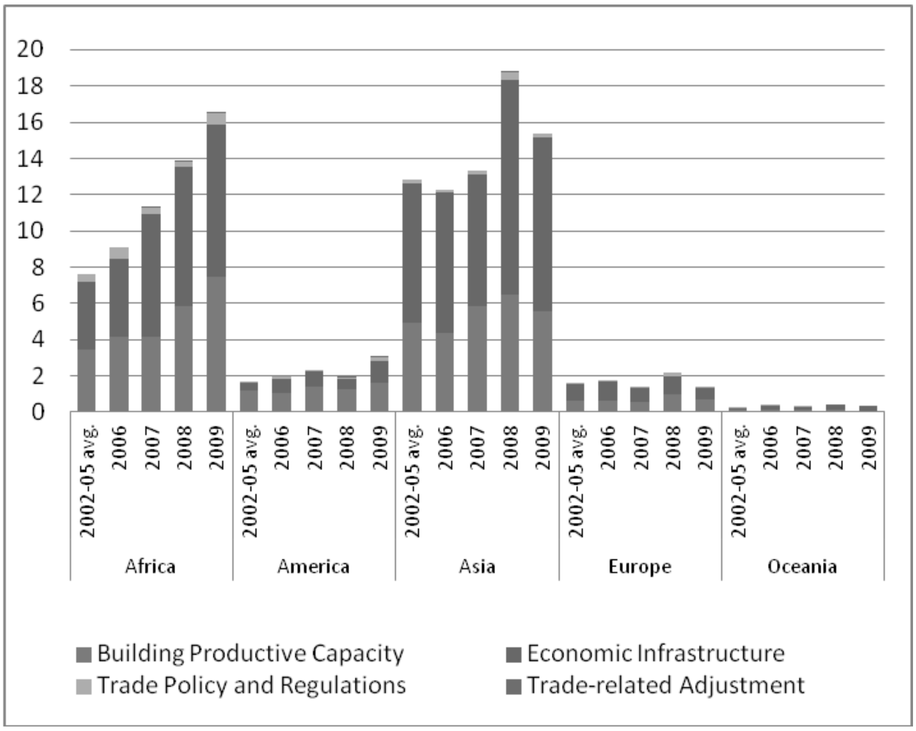
Source: OECD-DAC, Aid activities database (CRS)

…particularly in Africa, which surpassed Asia...

18. Aid for trade to Africa has increased every year by 20% on average since the 2002-05 baseline and now stands at over USD 16 billion. This makes Africa the largest regional aid for trade recipient with 41% of total aid-for-trade flows. Between 2008 and 2009, aid for trade committed to sub-Saharan Africa increased by almost 40%, while flows to North Africa fell by 56% in the same period. Asia now ranks as the second largest regional recipient with USD 15.4 billion (38% of total flows). Most of the USD 3.4 billion decline in 2009 can be attributed to less support to South and Central Asia and Middle East in particular India (a decline from USD 3.5 billion to under USD 2 billion) and Iraq (with energy down by USD 1.4 billion) and transport down by USD 785 million for the region as a whole. However, it should be noted that in 2008 aid for trade flows to Asia increased by USD 5.4 billion. The 2009 aid for trade commitments for Asia of USD 15.3 billion are more in line with the average flows to Asia. The Aid-for-trade flows to the Americas increased by almost 60% since 2008 and reached USD 3 billion in 2009, mainly due to an additional USD 651 million in support for economic infrastructure. Flows to Europe decreased over one third to just over USD 1.4 billion and support to Oceania also declined by 28% to USD 276 million. In both cases because of significant less support to building productive capacities.

Figure 3.5 Aid for Trade by Region and Category

Commitments, 2002/05 - 2009, USD billion (2009 constant)



Note: Building productive capacity includes trade development activities which are identifiable in the CRS since 2007 flows. Trade-related adjustment data are available since 2007 flows and may be invisible on the chart due to their small amounts.

Source: OECD-DAC, Aid activities database (CRS)

...and support for multi-country programmes also increased.

19. In 2009, USD 7 billion was committed to multi-country programmes (*i.e.* global and regional); more than triple the amount allocated during the 2002-05 baseline period. Both global and regional programmes reached around USD 3.5 billion and their combined share in total aid for trade has doubled from roughly 9% in 2002-05 to 18% in 2009. On average, multi-country programmes focus their support on building productive capacities (65%), improving cross border economic infrastructure (24%), and providing technical assistance for trade policy and regulation (11%). In fact, almost half of all aid for trade policy and regulations is provided through regional and global training programmes. This delivery mode strengthens regional cooperation and also generates important economies of scale. Regional programmes in Africa increased more than four fold to USD 2.6 billion in 2009, compared to the baseline period. This covers 22% of the total aid for trade increases to Africa. In 2009, the European Commission put in place a facility to provide a rapid response to soaring food prices with amounts in the region of USD 800 million, while the United Kingdom significantly increased its commitments for trade facilitation and agriculture projects in sub-Saharan Africa.

The top 20 recipients received 50% of aid for trade...

20. Asia and Africa both have 10 countries each in the list of top 20 recipients which receive half of total aid for trade. Figure 3.6 provides the full list and the pattern of commitments since the 2002-05 baseline. Asia though has six of the top 10 recipients, including the top 3. Vietnam is the largest recipient in 2009 with USD 2.6 billion, up 27% from 2008 with increases to energy (up USD 560 million), and

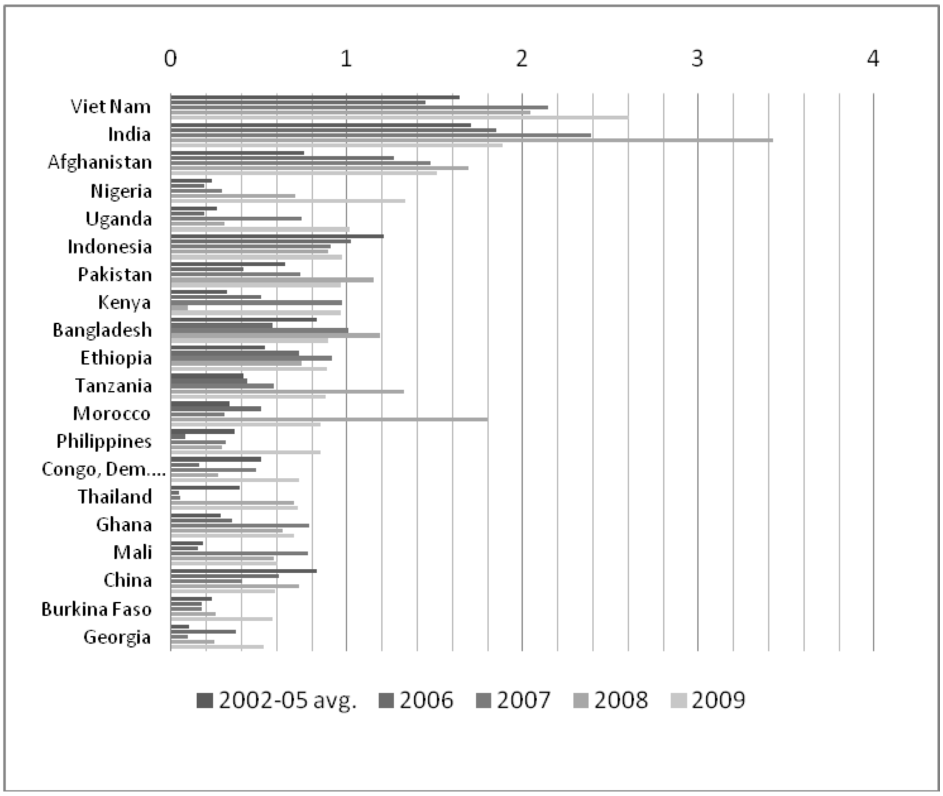
industry (up USD 230 million). India is the second largest recipient, but its flows decline substantially from 2008 mostly because of over USD 1 billion less to transport and storage. Afghanistan is the third largest recipient and saw flows decrease slightly from 2008. Nigeria is the largest recipient in Africa with USD 1.3 billion in commitments. Flows to Nigeria were up by 89% in 2009 driven by large increases to banking and finance services (up USD 500 million), mining and mineral resources (up USD 400 million) and energy (up USD 220 million). Uganda's aid for trade has varied considerably because of large investments in energy (2007) and transport and storage (2009). Kenya saw a large increase in 2009 returning it to 2007 levels following political unrest which affected 2008 commitments.

21. Increased support to economic infrastructure and in particular transport projects are the main reason for the relatively high position of a number of recipients for instance Thailand, the Philippines, Indonesia and Ghana. Almost all the aid for trade that Thailand received in 2008 and 2009 was committed to urban transport projects in Bangkok and funded by the Japanese. Similarly, almost 70% of all aid for trade to the Philippines in 2009 was destined to improve transport infrastructure, while for Indonesia 74% of its USD 970 million aid for trade was committed to this sector (including over USD 500 million in loans from Japan). In Ghana 62% of almost USD 700 million of total aid for trade is destined to improve the transport sector with the World Bank providing over USD 250 million. The Democratic Republic of Congo received USD 725 million with energy receiving 36% of total support. Georgia enters the top 20 because of loans for transport provided by Japan and the Asian Development Bank special funds. Projects in transport and energy are usually quite significant. For those countries where economic infrastructure is a major part of total aid for trade this gives the impression of volatility and lack of predictability. For instance, aid for trade to Morocco increased almost six fold from 2007 to 2008 and then dropped by half in 2009.

22. Agriculture received 46% of all aid for trade to Mali and 41% of support to Burkina Faso. Aid to the categories most closely associated with the WTO Task Force definition trade has fallen to China since the 2002-05 baseline but still stands at USD 588 million. Iraq declined from USD 3 billion in 2008 to just over USD 400 million and is now outside of the top 20. Both Pakistan and Bangladesh saw their support decline by USD 185 million and USD 296 million respectively with flows to Tanzania declining by USD 450 million.

Figure 3.6 Top 20 Recipients of Aid for Trade in 2009

Commitments, 2002/05 - 2009, USD billion (2009 constant)



Source: OECD/DAC, Aid activities database (CRS)

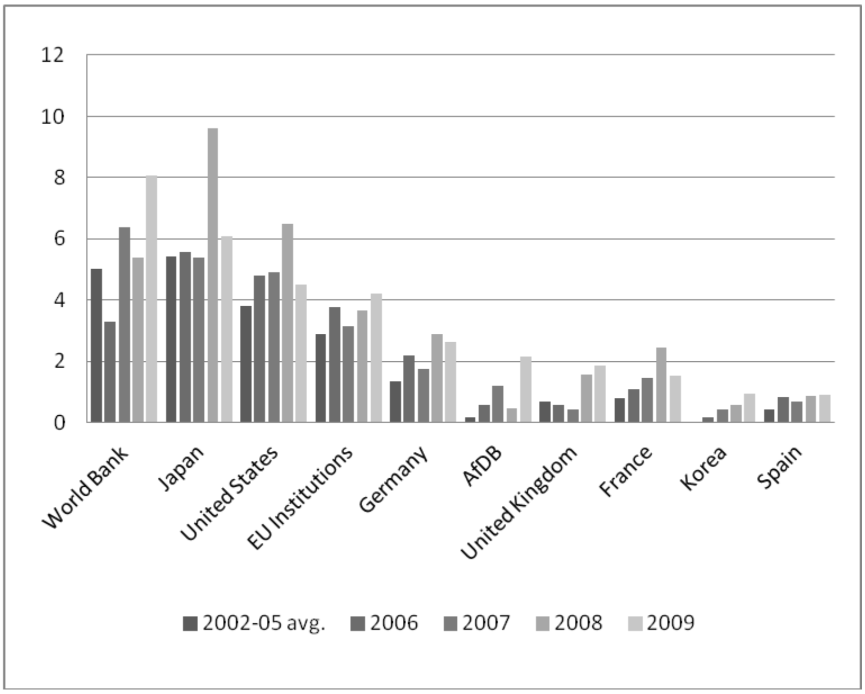
3. Who are the providers of aid for trade?

Top 10 donors provide 82% of total aid for trade…

23. Aid-for-trade commitments were reported to the CRS database by 24 DAC donors, 3 Non-DAC donors and 20 multilateral institutions. In 2009, the top 10 reporters account for 82% of total aid for trade commitments (Figure 3.7). For total ODA the top 10 donors provide 74% of the total volume indicating that aid for trade is relatively more concentrated among a smaller number of donors. The European Union plus its Member States are the largest donor with USD 14 billion per year, an increase of 70% in real terms since the 2002-05 baseline. EU Member States provide USD 9.7 billion a slight decrease of 2% compared to 2008 and the EU institutions provide an additional USD 4.2 billion, up 14%. Whereas the World Bank Group increases its aid for trade by almost 50% to USD 8 billion, other major donors such as Japan and the US reported significant declines of 37% and 31% respectively (down by USD 5.5 billion collectively). In fact of the five largest bilateral donors four declined by an average of 28% (France down by 38%, Germany down by 9%).

Figure 3.7 Top 10 Donors of Aid for Trade in 2009

Commitments 2002/05 – 2009, USD billion (2009 constant)



Note: Korea became a member of the DAC on 1st January 2010. Official reporting of the flows commenced as from 2009. Data for previous years may be partial.

Source: OECD-DAC, Aid activities database (CRS)

Large increases from multilateral donors, while bilateral flows declined...

24. There is considerable volatility in donor commitments from 2008 to 2009. Multilateral flows increased by almost USD 6 billion to almost USD 17 billion and now represent 42% of aid-for-trade flows up from 28% in 2008. Conversely, total commitments from bilateral donors declined by almost USD 6 billion or 20%. However, bilateral donors combined still provide the majority of aid for trade with USD 22.7 billion, 57% of the total in commitments in 2009. The share of aid for trade in bilateral donor's total sector allocable ODA declined from 35% in 2008 to 28.6% in 2009. While for multilateral donors this share increased from 36.8% in 2008 to 42% in 2009. Thus, crisis response of bilateral and multilateral donors seems to differ. Whereas the International Financial Institutions increased their budget commitments, some bilateral donors seem to have shifted the allocation of their funds to the social sector.

…despite increases from many bilateral donors…

25. Bilateral donors that showed strong increases in 2009 include the United Kingdom (up 18% to USD 1.8 billion), Korea (up 67% to USD 935 million), Norway (up 29% to USD 775 million), Belgium (up 74% to USD 542 million) and Finland (up 87% to USD 356.5 million). Among the bilateral donors, Korea has now with 67% the highest share of aid for trade in total sector allocable ODA. There is also better coverage in 2009 with UAE (USD 473.5 million), Turkey (USD 28.9 million) and the Czech Republic (USD 0.1 million) reporting for the first time to the CRS database. Contributions by bilateral donors to multilaterals also increased (Box 3.1).

…which changed the regional distribution…

26. The World Bank increased its aid for trade to Africa by almost USD 2.5 billion in 2009 and AfDB by USD 1.7 billion. DAC donors committed USD 1.2 billion less to Africa than in the previous year, although this was offset by a USD 1.2 billion increase in imputed multilateral aid for trade (see Box 3.1). The EU institutions also provided almost USD 600 million less. The decline in Asia is mostly attributable to a USD 3 billion decrease in aid for trade to the region from Japan. However, the significant increase to Asia in 2008 was due also to large 'one-off ' Japanese commitments to infrastructure. In fact, the 2009 aid-for-trade commitments are still USD 1 billion above 2007 commitments and more in line with longer term trends. Of the USD 1 billion increase in aid for trade to the Americas, the European Union and Germany provided a little under half a billion more. The Inter-American Bank also provided more (USD 155 million) as well as Japan and Spain. The decline in Europe is mostly due to decreases from Germany (USD 387 million less) and France (USD 287 million less). While in Oceania, increases in support by the European Union (USD 59 million more) and the Asian Development Fund (USD 74 million more) were offset by a decline in support from Japan (USD 127 million less).

Box 3.1 The OECD's calculation of Imputed Multilateral Aid

In addition to their direct, bilateral support to aid for trade, DAC members also provide significant assistance through contributions to multilateral development agencies. The table below estimates this effort. It is calculated by applying the share of each multilateral agency's outflow that is aid for trade to the amount which each donor gave to that agency. For example, if 10% of the World Bank's concessional lending is aid for trade, and the United Kingdom gives the Bank $200 million, then the table includes $20 million against the UK in imputed multilateral aid for trade through the World Bank. The totals shown are only estimates, not least because only the major multilateral agencies report in detail on their aid for trade.

Imputed Multilateral Aid for Trade

USD million (2009 constant)

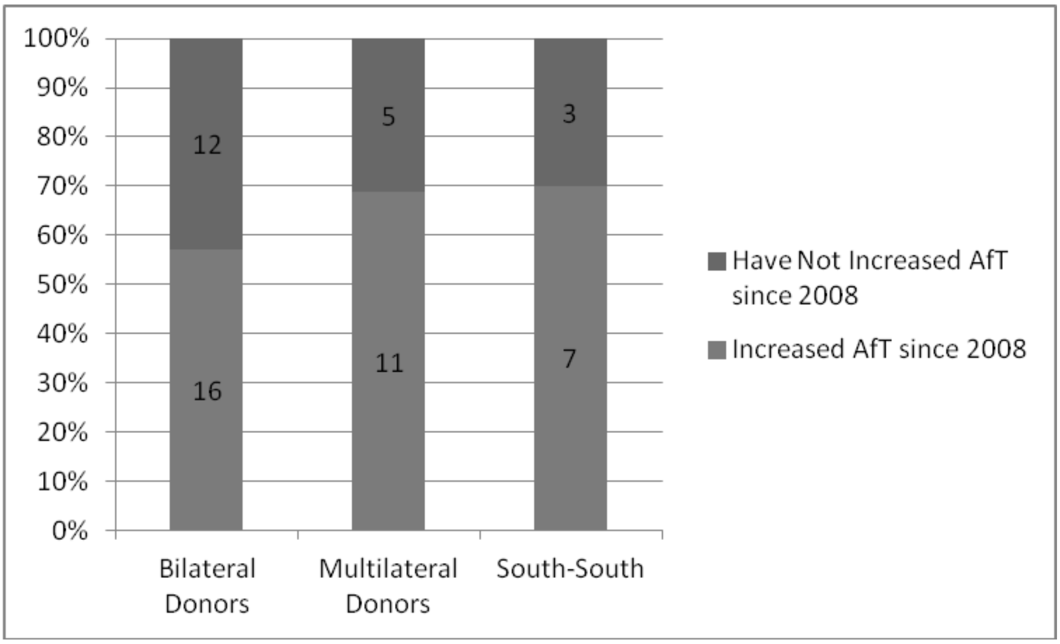
	2002-05 avg.	2006	2007	2008	2009
Australia	42.7	70.4	84.6	61.3	105.8
Austria	88.5	119.4	143.3	144.8	238.8
Belgium	150.9	273.4	148.8	381.2	297.3
Canada	111.1	123.7	162.1	286.6	132.1
Denmark	106.2	95.3	135.3	142.3	136.5
Finland	70.9	63.9	78.1	68.1	59.1
France	863.2	1 506.9	595.6	1 720.2	975.6
Germany	936.2	926.7	1 256.4	1 358.2	2 497.6
Greece	43.0	58.9	60.4	101.8	83.3
Ireland	29.5	80.3	54.0	68.4	56.5
Italy	615.3	330.0	429.7	934.7	657.2
Japan	325.8	1 374.7	206.3	770.2	961.9
Korea	43.2	41.0	44.3	41.8	146.8
Luxembourg	13.2	16.2	17.3	16.1	21.8
Netherlands	15.4	283.6	486.9	245.9	171.4
New Zealand	4.5	4.0	4.2	5.1	5.6
Norway	85.0	70.0	60.2	73.5	180.3
Portugal	45.9	48.5	51.8	51.3	79.5
Spain	257.2	318.1	363.1	535.6	589.0
Sweden	95.8	185.7	188.5	253.6	285.6
Switzerland	97.6	224.6	31.5	47.6	402.3
United Kingdom	497.9	741.7	825.8	1 009.7	1 222.0
United States	579.0	419.4	551.9	499.1	764.3
Total	**5 132.5**	**7 376.2**	**6 030.9**	**8 817.3**	**10 070.0**

Source: OECD-DAC, Aid activities database (CRS)

Most donors have increased their support since 2008…

27. In the OECD/WTO donor questionnaire, donors and providers of South-South cooperation were asked if their aid for trade had increased since 2008. Their responses confirm the CRS data's mixed results with 16 bilateral donors responding positively and 12 indicating no increase, including the US and Japan. Multilateral donors responded more positively with 11 indicating increasing support, such as the World Bank, the EU and regional development banks, while five did not increase their support to aid for trade (mostly small providers of aid for trade such as UNCTAD, IMF and FAO).

Figure 3.8 Have providers of Aid for Trade increased their resources since 2008?



Box 3.2 Reporting to the CRS

The **Inter-American Development Bank** (IADB) is committed to Aid-for-Trade Initiatives and is one of the largest sources of development financing in Latin America and the Caribbean. In 2010, the IADB revised their methodology for reporting to the CRS. At the same time, some slight discrepancies were found in 2009 data, while serious under-reporting was noted with respect to 2008 flows. The IADB has since sent revisions for both years (see below).

According to the revised data, in 2009 the IADB committed USD 239.7 million towards Aid for Trade and another USD 6.1 billion in non-concessional flows. At almost 57%, economic infrastructure projects cover the bulk of AFT funding followed by building productive capacity (USD 93.4 million) and trade policy and regulations (USD 8.7 million). Bolivia and Nicaragua, were the IADB's largest recipients in 2009, and attracted 40% of the total.

OECD is working closely with IADB to update the CRS with regard to both 2008 and 2009 data. However, it should be noted that the tables in Annex 1 are based on present CRS data.

	Commitments, USD million (current prices)			
	2008		**2009**	
	Present CRS data	**Revised IADB data**	**Present CRS data**	**Revised IADB data**
Aid for Trade				
Building Productive Capacity	33.0	104.0	66.0	93.4
Economic Infrastructure	49.7	61.5	162.6	137.6
Trade Policy and Regulations	2.0	8.5	8.7	8.7
Total	***84.6***	***174.0***	***237.3***	***239.7***
Trade-related Other Official Flows				
Building Productive Capacity	1 146.9	3 778.4	3 354.7	2 641.5
Economic Infrastructure	574.2	2 773.1	3 444.2	3 473.5
Trade Policy and Regulations	13.4	31.6	249.5	21.2
Total	***1 734.5***	***6 583.2***	***7 048.4***	***6 136.2***

The **Islamic Decvelopment Bank** is also working to improve global information sharing on aid for trade. It intends to start providing activity-level data on its operations to the OECD Creditor Reporting System, which will allow the production of statistics on aid for trade extended by IsDB on the same basis as for other donors and multilateral agencies. The reporting procedures and definitions were discussed in detail during a statistical mission by the OECD Secretariat to the IsDB headquarters in March 2011. The first data submission, covering the IsDB's ordinary capital resources (OCR) operations, is planned for 2011 on 2010 flows. Other entities of the IsDB group will be included in the reporting in a second stage.

When analysing **Australia's** 2009 aid-for-trade commitment flows users should exercise caution. Since supplying CRS data to the DAC, a number of conceptual and methodological issues have been identified which could not be corrected prior to the release of this publication. The data contained in the tables do not accurately reflect Australia's aid-for-trade commitments for 2009. AusAID are undertaking a review of the conceptual and methodological processes to ensure Australian commitment data aligns with OECD reporting requirements. Revised data will be sent to the OECD and made available electronically. Australia remains committed to the Aid-for-Trade initiative and understands the importance of the role of credible data to track global aid-for-trade efforts.

Most providers of South-South cooperation have also increased their support…

28. In their responses to the OECD/WTO donor questionnaire, China, India, Brazil, Argentina, Indonesia and Mexico all report an increase in trade-related co-operation. China has increased spending on infrastructure construction and training in Asia and Africa. Brazil has focused resources on agriculture in Africa. Argentina has a focus on Latin America through the development of South-South cooperation in the areas of institutional strengthening and sustainable development. Mexico increased support in cargo logistics and sustainable transport as part of the Mesoamerica Project featured in the previous Aid for Trade at a Glance Report. Indonesia has increased coverage in Africa and the Pacific. India has regularly conducted special courses on trade issues under its Technical and Economic Cooperation Programme for developing countries, in particular LDCs, including for countries which are at various stages of accession to the WTO. No south-south partners provide figures on their support to trade-related co-operation to the CRS or gave figures in their questionnaire replies.

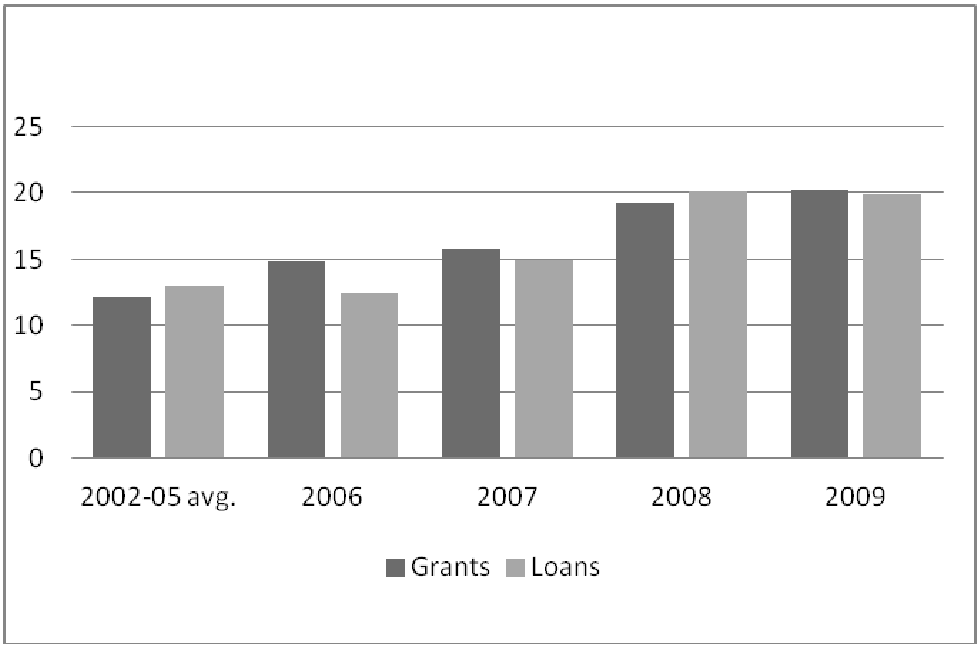
Half of aid for trade is provided in grants…

29. In 2009, aid for trade commitments are provided half in grants (USD 20.2 billion) and half in concessional loans (USD 19.9 billion). Grants have grown 67% since the 2002-05 baseline whereas loans have grown by 53%. Grants represent 91% of funding for trade policy and regulations, 62% for building

productive capacity and just 38% of economic infrastructure in 2009. These proportions are consistent with previous years.

Figure 3.9 Aid for Trade Loans and Grants

Commitments, 2002/05 - 2009, USD billion (2009 constant)



Note: Equity investment is classified as loans.

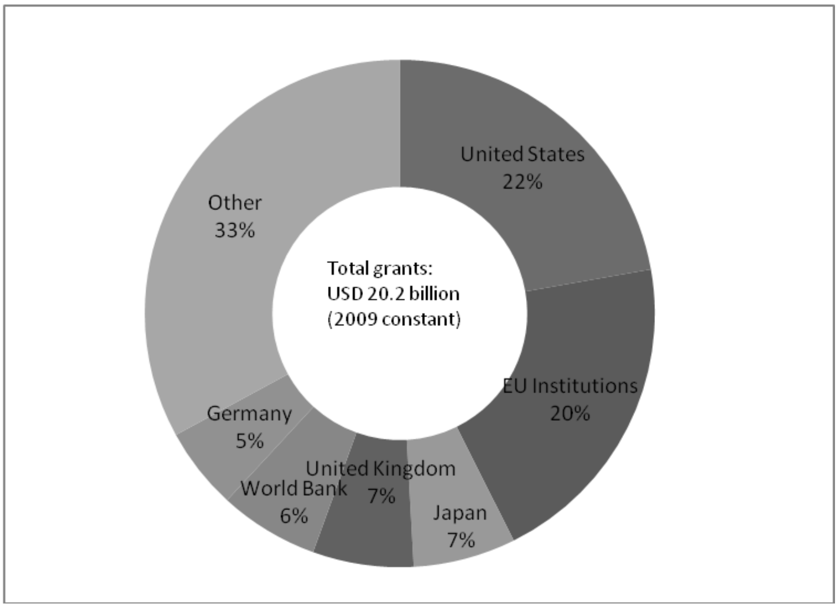
Source: OECD/DAC, Aid activities database (CRS)

With multilaterals providing mostly loans…

30. Donors differ significantly in the financial terms of their aid-for-trade support (Figure 3.10 and 3.11). For instance, the World Bank provides 84% of its USD 8 billion in aid for trade in concessional loans. In fact the World Bank supplies 34% of all aid-for-trade loans but only 6% of total grants. While most bilateral donors provide their assistance mostly in grant form there are some exceptions. For instance in 2009, Japan provided 78% of its USD 6 billion aid for trade programme in the form of concessional loans. Collectively Japan and the World Bank provide almost 60% of concessional loans in aid for trade. All US aid for trade is in grants and the vast majority of aid from EU institutions is also provided in grants. Combined they provide 44% of total grants to aid for trade.

Figure 3.10 Donors' Shares of Aid for Trade Grants

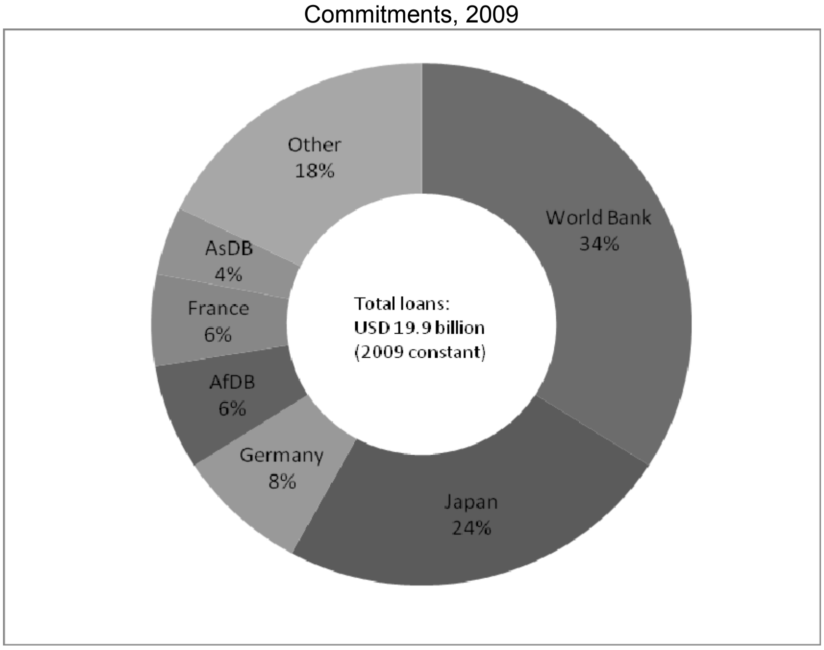
Commitments, 2009



Source: OECD/DAC, Aid activities database (CRS)

Figure 3.11 Donors' Shares of Aid for Trade Loans

Commitments, 2009



Note: Equity investment is classified as loans.

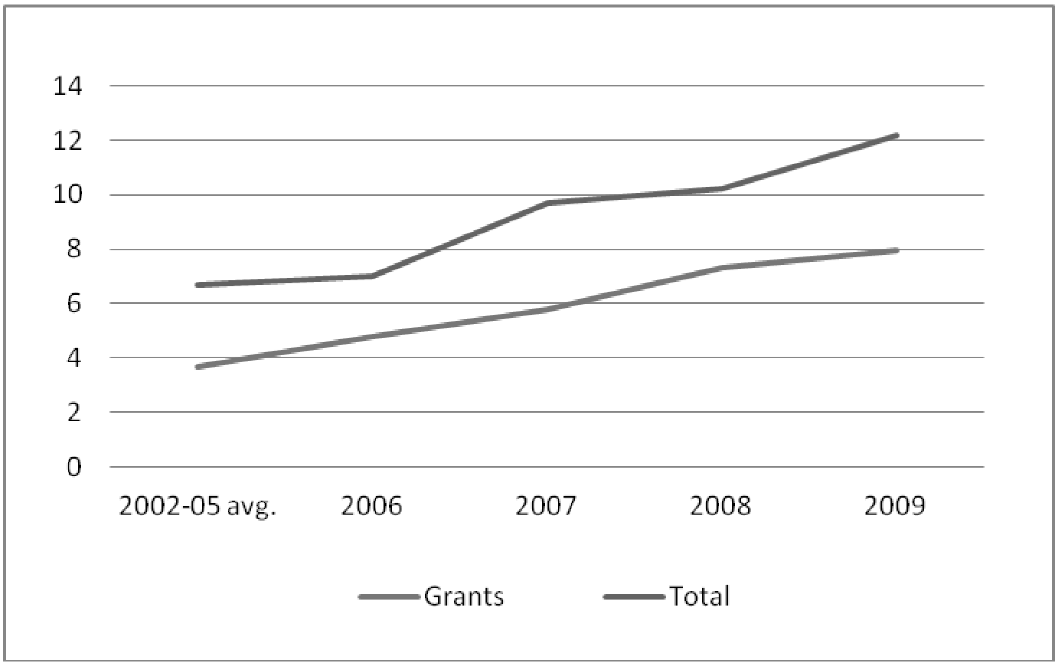
Source: OECD/DAC, Aid activities database (CRS)

LDCs received aid for trade mostly in grant form…

31. Loans tend to go mostly to MICs because of their higher capital productivity and repayment ability, while LDCs receive aid for trade mostly in grants. Two thirds of aid for trade to LDCs is delivered in grants and one third in loans, used mostly to finance economic infrastructure projects. Within LDCs and between certain periods there is great variation in the amounts of aid for trade provided in loans. For instance, Bangladesh between 2007 and 2009 received over 80 % of its aid for trade in loans from Japan and the World Bank for projects in energy and transport. More than half of aid for trade to Ethiopia was provided as concessional loans from the World Bank and France for transport and energy, while in Afghanistan almost 100% of aid for trade is provided in grants, with the United States and the United Kingdom providing 73% of total assistance. Grants for LDCs increased by 9% in 2009, loans to the LDCs increased by 44% with more support from the AfDB, Japan and the World Bank. Indeed the World Bank provides 55% of loans to LDCs, Japan 13% and AfDB 12%.

Figure 3.12 Aid for Trade Grants and Total Aid for Trade to LDCs

Commitments, 2002-05 - 2009, USD billion (2009 constant)



Source: OECD/DAC, Aid activities database (CRS)

4 What does aid for trade finance?

32. Since the 2002-05 baseline, aid to economic infrastructure and building productive capacity has dominated aid-for-trade flows. Both sectors increased steadily from the 2002-05 until 2008 with economic infrastructure growing annually on average by 18% and building productive capacity by 14%.

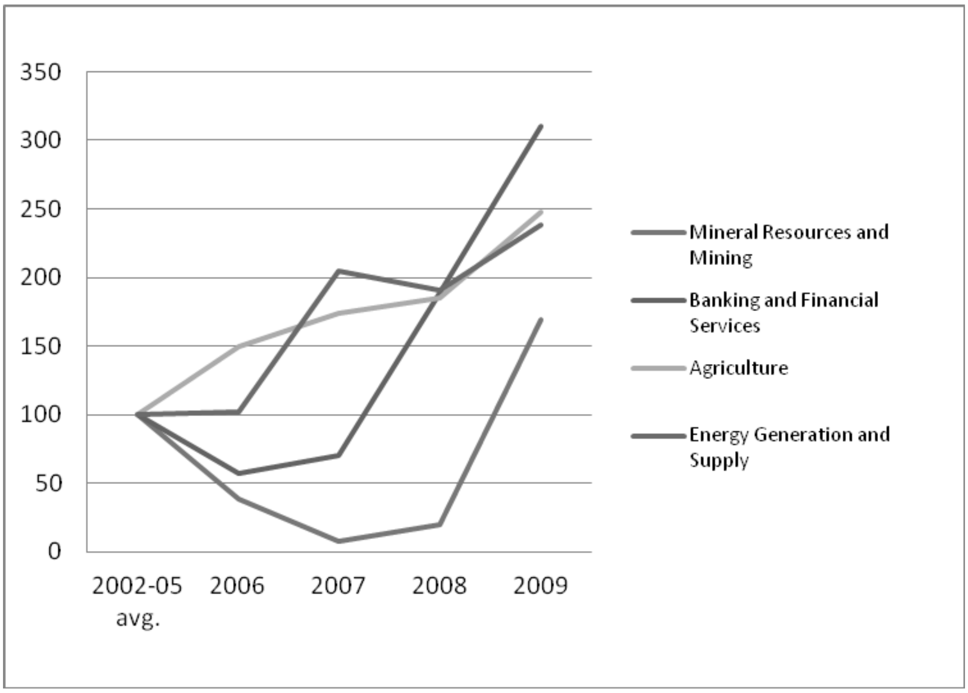
The food and financial crisis shifted the distribution…

33. In 2009, aid for trade to Africa increased USD 2.7 billion – most of it concentrated in agriculture (up USD 0.9 billion), banking and finance (up USD 0.7 billion), mining and energy (up USD 1 billion). Increases in these sectors are likely a response to the food and financial crises as well as energy and

commodity price spikes. Figure 3.13 shows how flows to these sectors in Africa have evolved since the baseline and show large increases in 2008 and 2009 for all sectors.

Figure 3.13 Aid for Trade to Africa: Responses to the Food and Financial Crises

Commitment index (2002-05 avg = 100), 2002/05-2009



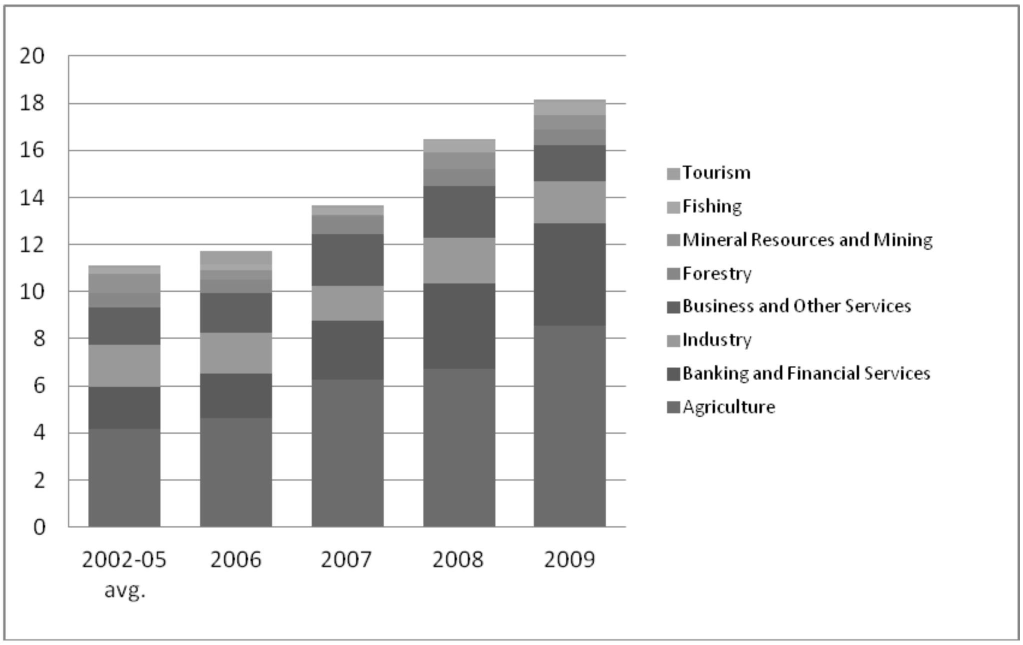
Source: Authors' calculation based on OECD-DAC, Aid activities database (CRS)

….and increased commitments to agriculture and banking...

34. In 2009, total aid to building productive capacities continued to increase, while support to economic infrastructure declined because of moderately less aid to transport and energy generation. The increases in building productive capacity were mostly in agriculture, banking and finance. Aid to agriculture has increased by 105% since the baseline and 28% since 2008. Aid to the banking and financial services sector has increased by 140% since the baseline and 19% since 2008. Combined these three sectors are attracting 71% of aid flows to building productive capacities.

Figure 3.14 Building Productive Capacity

Commitments, 2002/05-2009, USD billion (2009 constant)



Note: Building productive capacity includes trade development activities which are identifiable in the CRS since 2007 flows.

Source: OECD-DAC, Aid activities database (CRS)

35. While considerable support goes to building productive capacities, not all of this is directly trade related. Using the trade development marker in the CRS, donors estimate that USD 1.9 billion has a principal trade objective and another USD 2.9 billion a significant trade objective. In 2009, trade-related projects represented more than a quarter out of total USD 18 billion aid to the productive sectors. However all aid to these sectors helped to create an environment supportive of private sector development and enhaced productivity in various economic sectors, such as agriculture, banking and financial services, and tourism.

…with a focus on trade development objectives

36. Since 2007, the use of the trade development marker has increased and for 2009 flows nearly all DAC donors reported. The amounts of support with a principle trade objective has increased 55% since reporting began in 2007 and for a significant objective, it has nearly doubled from USD 1.5 to USD 2.9 billion. Different sectors vary in the extent to which the trade development marker is reported *e.g.* donors considered that 70% of business services and 79% of tourism are directly related to develop trade capacities. Even for the larger sectors such as banking and agriculture significant shares are reported to have a trade component (29% in banking and 16% for agriculture).

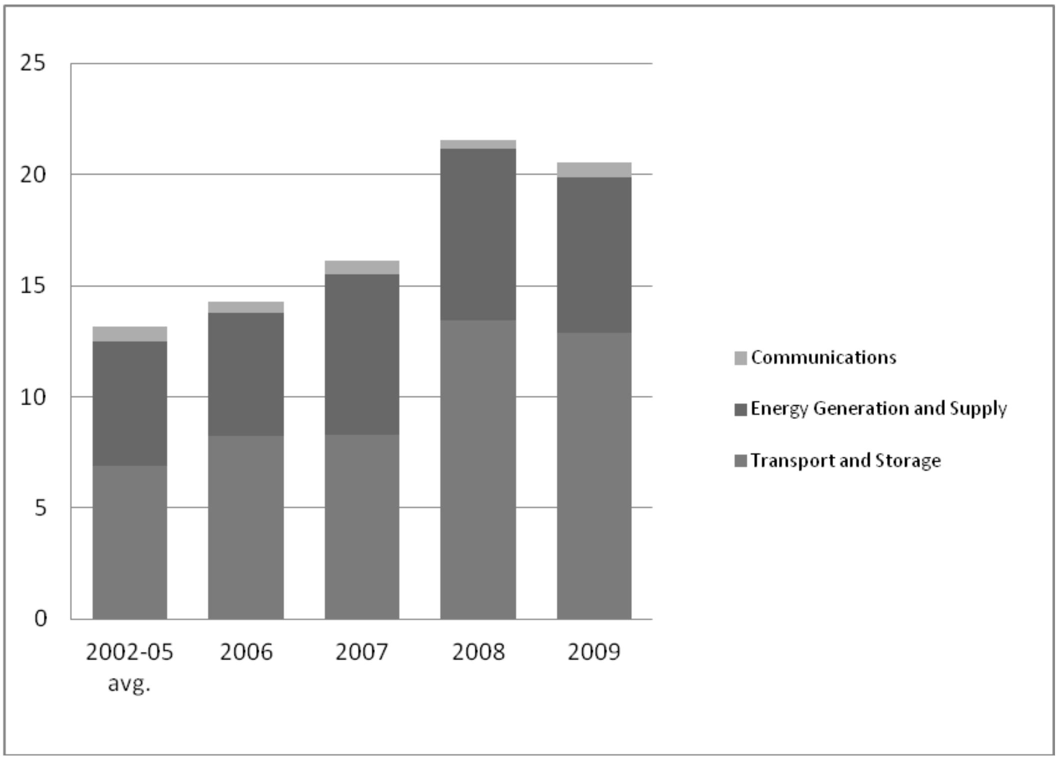
Economic infrastructure support falls slightly…

37. The major components of economic infrastructure, transport and energy both decreased slightly in 2009 while communications increased slightly. Japan is the largest donor in transport and storage sector among DAC members, providing more than half of the funding both in 2008 (USD 5 billion out of USD 9.5 billion) and 2009 (USD 3.9 billion out of USD 7.4 billion). Nearly all these Japanese funds went to Asia. The biggest projects were rail transit systems construction in Delhi, Bangkok and Jakarta, totalling

USD 3.3 billion in two years. Additionally, Japan provided another USD 871 million to India for its Hyderabad outer ring road project in two instalments.

Figure 3.15 Economic Infrastructure

Commitments, 2002/05 - 2009, USD billion (2009 constant)



Source: OECD/DAC, Aid activities database (CRS)

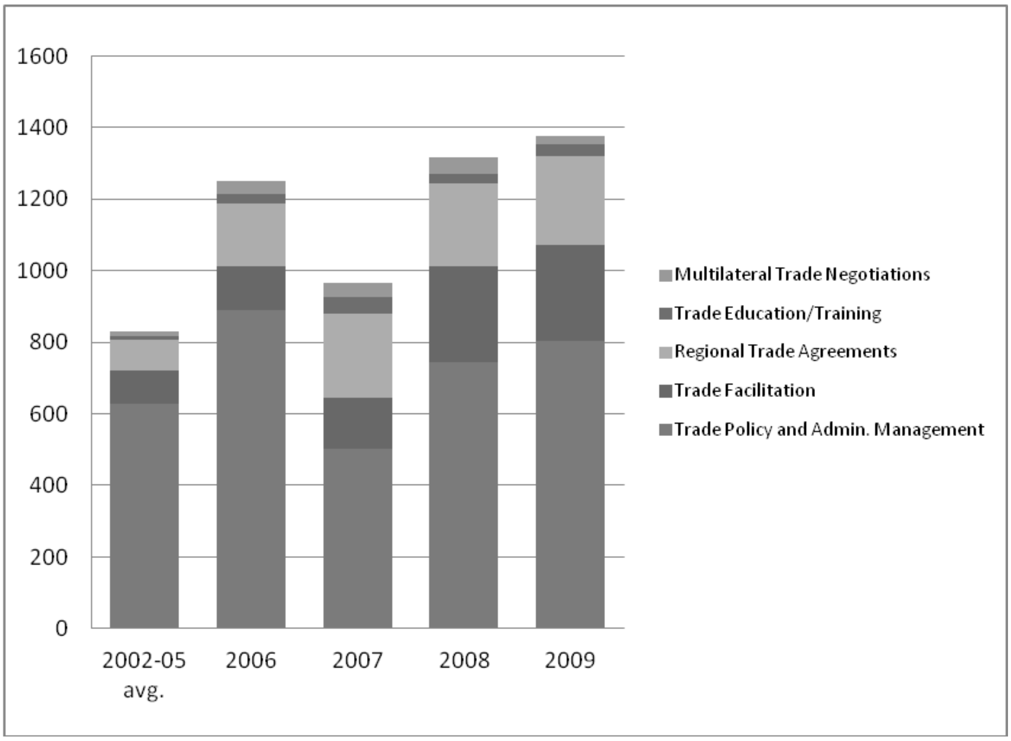
38. The World Bank, Korea and United Kingdom provided almost 60% of total aid for trade in communications in 2009. While the World Bank and the United Kingdom focussed on Africa, Korea divided its support between Africa and Asia. While bilateral donors scaled down their commitments in the energy sector, multilateral donors scaled up their support from USD 1.7 billion in 2008 to USD 3 billion in 2009.

…while aid for trade policy and regulations increased.

39. Trade policy and regulations remains relatively small in total flows and has fluctuated between 2006 and 2009, although for all years with the exception of 2007 there have been moderate increases. Flows to this area are currently almost USD 1.4 billion annually. Most of this support goes to trade policy and administration management. Trade Facilitation has increased 187% since the baseline period and now stands at USD 266 million. European Union institutions contributed USD 173 million in 2008 and USD 86 million in 2009 to trade facilitation. In 2008, it allocated USD 63 million to promote mutual trade by removing technical barriers to trade between Ukraine and the European Union.

Figure 3.16 Trade Policy and Regulations

Commitments, 2002/05-2009, USD million (2009 constant)



Source: OECD/DAC, Aid activities database (CRS)

5. What are the aggregate trends?

From annual to aggregate trends…

40. Monitoring the year to year fluctuations in commitments and examining their causes provides a useful spotlight. However, as noted above, these annual changes are more pronounced in aid for trade because of the predominance of large commitments to major infrastructure projects. This gives the impression that aid volatility and predictability are problematic. Looking at aggregate aid-for-trade flows provides an overview against which the changes in the annual numbers become less salient. It also provides an opportunity to examine in a more holistic manner the main questions posed in this chapter. Moreover it enables the examination of total flows, distribution, concentration and the comparison of aid for trade with overall ODA.

Commitments totalled USD 238 billion between 2002 and 2009…

41. Since 2002, a total of USD 238 billion in aid for trade has been committed. Asia received USD 111 billion or 47% between 2002 and 2009, and Africa USD 81 billion or 34%. The top 8 recipients are located in Asia, with India, Iraq and Vietnam receiving considerably higher volumes than the rest of the recipients. More specifically, India has received USD 16 billion in commitments since 2002, Iraq USD 15 billion and Vietnam USD 14.8 billion. Africa has 10 countries in the top 20 headed by Ethiopia, Egypt, Tanzania, Morocco and Kenya. Turkey is the only country in the list from outside Asia or Africa and received a total of USD 3.5 billion in aid for trade since 2002.

Table 3.1 Top 20 recipients of Aid for Trade by total commitments from 2002-09

USD million (2009 constant)

	Commitments					Total commitments 2002-09
	2002-05 avg.	2006	2007	2008	2009	
India	1 703.6	1 847.0	2 388.6	3 424.0	1 882.4	16 356.3
Iraq	2 101.2	2 208.1	1 191.4	3 029.7	400.2	15 234.1
Viet Nam	1 643.6	1 450.2	2 141.9	2 046.0	2 608.1	14 820.7
Afghanistan	759.2	1 267.2	1 478.2	1 692.0	1 509.5	8 983.8
Indonesia	1 208.6	1 022.6	905.9	895.9	970.0	8 629.0
Bangladesh	830.0	580.1	1 008.9	1 187.9	892.2	6 989.2
Pakistan	648.6	408.5	738.2	1 150.4	965.2	5 856.7
China	829.6	614.8	402.6	728.7	588.2	5 652.6
Ethiopia	533.5	729.2	912.8	740.7	883.6	5 400.3
Egypt	578.8	809.8	567.2	990.1	277.1	4 959.5
Tanzania	412.5	429.8	586.9	1 325.2	881.3	4 873.1
Morocco	328.6	515.5	305.3	1 799.9	848.4	4 783.5
Kenya	314.6	510.3	973.0	92.2	962.1	3 795.8
Sri Lanka	513.1	347.1	340.8	487.8	457.3	3 685.6
Congo, Dem. Rep.	512.9	161.0	479.7	267.4	724.6	3 684.3
Ghana	280.8	350.0	784.4	633.8	697.4	3 588.6
Turkey	485.0	281.2	224.0	785.9	283.8	3 514.8
Nigeria	229.6	189.4	286.3	705.4	1 333.4	3 432.9
Uganda	258.3	191.7	739.7	305.5	1 017.9	3 288.1
Mozambique	354.5	346.5	488.1	520.0	430.4	3 202.8
Total						**130 731.6**

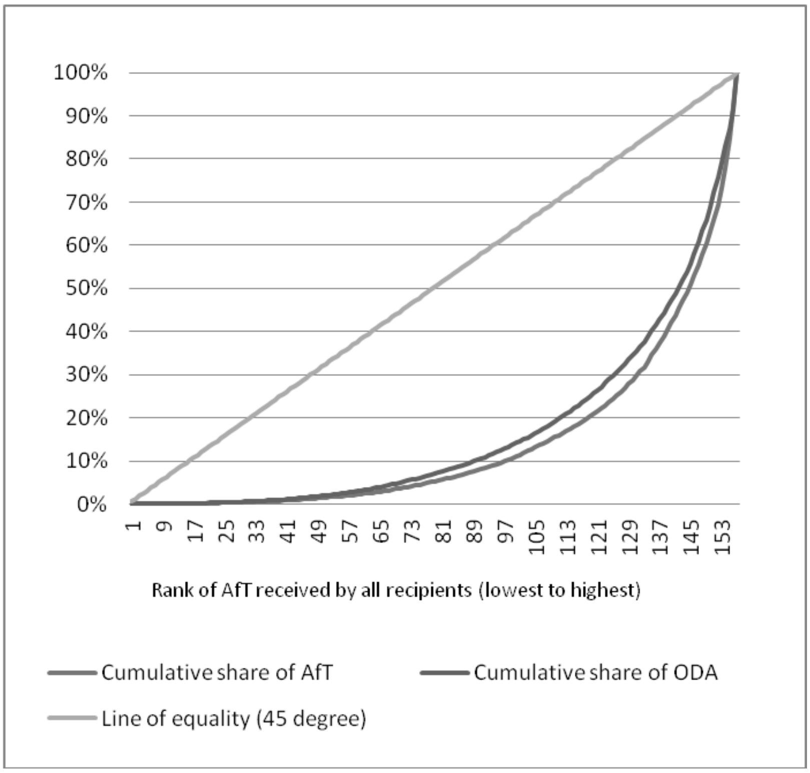
Source: OECD-DAC, Aid activities database (CRS)

…and is relatively concentrated…

42. There were 157 countries that were eligible to receive ODA and thus aid for trade between 2002 and 2009. The pattern of the distribution of aid for trade is relatively concentrated with ten countries receiving 45% of total aid-for-trade commitments between 2002 and 2009. The bottom 50 countries received less than 1.5% of total flows. However, some of these countries such as Saudi Arabia, Slovenia and Malta no longer have the status of aid recipient. Some recipients are small island states and while these have small flows in volume, they are among the largest recipients of aid for trade per capita. For instance, St Helena, Niue and Cook Islands received USD 2 742, USD 1 840 and USD 659 per capita respectively in 2009, but they have a combined population of just 22,000. Oceania dominates a list of per capita recipients with 7 out of the top 10 being from this region.

Figure 3.17 Cumulative Share of Aid for Trade and Official Development Assistance

By total commitments 2002-09, %



Source: Authors calculation based on OECD-DAC, Aid activities database (CRS)

43. Most developing countries receive little aid or no aid for trade. In fact, 100 developing countries account for a little over 10% of total aid-for-trade flows between 2002 and 2009. Conversely 25 countries account for almost 70% of total aid-for-trade commitments. However, examined in terms of population a different picture emerges. The top seven recipients of aid-for-trade flows representing 40% are all from Asia (India, Iraq, Vietnam, Afghanistan, Indonesia, Bangladesh, Pakistan and China) - these countries which accounted for 34% of the population of recipient countries.

…but similar to overall ODA distribution…

44. Total ODA is slightly less concentrated with the top ten recipients accounting for just under 40% and the bottom 50 countries receiving less than 2 percent. However since aid for trade is part and parcel of regular ODA this is not surprising. It may be slightly more concentrated because of the nature and size of large infrastructure projects which leads to large increases in commitments for particular countries in particular years.

6. What is the outlook for aid-for-trade flows?

The outlook for aid for trade is moderate…

45. Total bilateral ODA grew by 6.5 % in 2010 and will continue to grow in 2011 and 2012 by approximately 2-3% based on an OECD survey of indicative forward spending plans. If aid for trade maintains its share in sector allocable aid then incremental growth can be expected over the medium term. Furthermore, the recent G20 commitment on aid for trade might also have an effect in bolstering support.

As noted before the commitment made as part of the Multi-Year Action Plan on Development in Seoul noted the G20's commitment to at least maintain, beyond 2011, aid for trade levels that reflect the average of the last three years 2006 to 2008 (Box 3.2).

46. Almost two third of the donors have indicative forward spending plans including major donors like the United States, Japan, United Kingdom and the European Union, while fewer than half of the multilateral donors have these spending plans, including the World Bank and many of the regional development banks, such as the IADB, AfDB and IsDB. Furthermore, nine bilateral and seven multilateral donors have specific estimates for aid for trade, though others can say something about future aid for trade even if they do not have exact estimates.

Some donors are continuing to scale up resources…

47. France estimates that they will spend EUR 850 million per year of which EUR 150 million per year for technical assistance from 2010. The United Kingdom has committed to spending at least GBP 672 million annually as part of their G-20 commitment on aid for trade and expect to exceed this amount by at least GBP 100 million per year. The European Union has set aside a total of EUR 22.7 billion for the African, Caribbean and Pacific Group of States (ACP) countries for the period 2008-2013. Between EUR 4 and EUR 5 billion of this will be allocated to aid-for-trade; a total of EUR 1.78 billion is made available in support of ACP integration efforts at regional level; and a total of around EUR 1.16 billion concerns the aid-for-trade agenda at the multiregional level.

Some are pledging to maintain flows…

48. As noted before, in 2010 the G20 pledged to maintain support for aid for trade at current levels (Box 3.3). In addition a number of other donors have made similar commitments. For instance Australia expects that its aid for trade will continue to increase, while Switzerland's aid for trade is expected to remain at current levels in 2011 and 2012. Non DAC donors are also maintaining support to aid for trade. Singapore noted that while aid for trade will remain a key component of their cooperation strategy, resources will be allocated based on local needs and Singapore's capacity to contribute.

Box 3.3 G20 Aid for Trade Pledge

"Commitment to at least maintain, beyond 2011, Aid for Trade levels that reflect the average of the last three years (2006 to 2008) and (…) monitor these commitments and evaluate their impact on LICs' capacity to trade. We will consider the outcome of the Global Aid for Trade Review of July 2011."[3]

During 2006-2008 the OECD/DAC members of the G20 Development Working Group *(i.e.* Australia, Canada, France, Germany, Italy, Japan, Korea, Spain, United Kingdom, United States, and the European Union) provided on average USD 7.3 billion in aid-for-trade to the LICs (see table). In 2009, the total volume increased to USD 8.6 billion and is projected to reach USD 9.2 billion in 2010.

Most donors increased aid for trade in 2009 relative to the 2006-08 average including the European Union, United States and Japan. The United Kingdom and South Korea had substantial increases while some others declined slightly. While the OECD posses approximate data on the overall volume of G20 South-South cooperation, this provides insufficient detail to establish an aid-for-trade baseline.

G20 Members	Self Assessments	G20 DWG OECD/DAC Aid for Trade to LICs Commitments, USD million (2009 constant)	
		2006-08 average	2009
Argentina	South-South	..	..
Australia	Donor	101.30	...
Brazil	South-South	..	..
Canada	Donor	216.64	288.36
China	South-South	..	..
France	Donor	535.03	411.86
Germany	Donor	364.55	352.02
India	South-South	..	..
Indonesia	South-South	..	..
Italy	Donor	99.61	72.10
Japan	Donor	1 815.75	2 353.05
Mexico	South-South /Partner	..	..
Russia*	--	..	..
Saudi Arabia	--	..	..
South Africa	--	..	..
South Korea	Donor	250.96	492.07
Turkey	--	0.00	0.09
United Kingdom	Donor	301.49	772.45
United States	Donor	2 195.77	2 416.43
EU Institutions	Donor	1 369.62	1 472.53
Spain	Donor	85.79	63.32
Total		**7 336.52**	**8 694.28**

* not a WTO member

.. no data available

…for an explanation of Australia's Aid for Trade data, see Box 3.2.

Source : OECD/DAC Aid activities database (CRS)

Others are unable to indicate future spending…

49. The German budget system operates on an annual *modus*. Programming of trade related assistance and broader aid for trade is carried out with a time horizon of no more than 1 to 2 years. The United States uses a mix of funding and planning vehicles for foreign assistance, as directed by the U.S. Congress. Planning and spending are intended to be responsive to partner country needs. During the annual budget process agencies begin to allocate resources to specific sector programmes, such as aid for trade. Final allocations are not made until the Congress acts on the President's Budget and appropriations levels are known and enacted in law. The Millennium Challenge Corporation (MCC) and its partner country agree on budgets of up to five years in their "compact" (grant agreement), which lays out objectives, programme elements and targets for program success. MCC funds this multi-year programme in its entirety from the outset. For threshold programmes which are normally two years in length, the threshold agreement contains programme details and funding plans for the entire length of the programme. Again, MCC funds are set aside up front to ensure aid predictability. In both cases, MCC calculates overall programme funding of Aid for Trade as the agreements enter into force which triggers fund obligation.

MCC's aid-for-trade activities are embedded within the various activities that make up an MCA programme and MCC partner countries provide rolling estimates of annual forward spending but do not break out aid for trade on an annual basis.

7. What do we know about local monitoring?

From global review to local monitoring…

50. The latest OECD/WTO Questionnaire solicited information about monitoring at the country level and there has been much discussion at the WTO Committee on Trade and Development as well as regional forums about measuring aid-for-trade commitments at the global level and the perceived discrepancies with locally registered flows. This section examines this issue and the extent to which partner countries posses detailed information about concessional financing in general and aid for trade flows in particular.

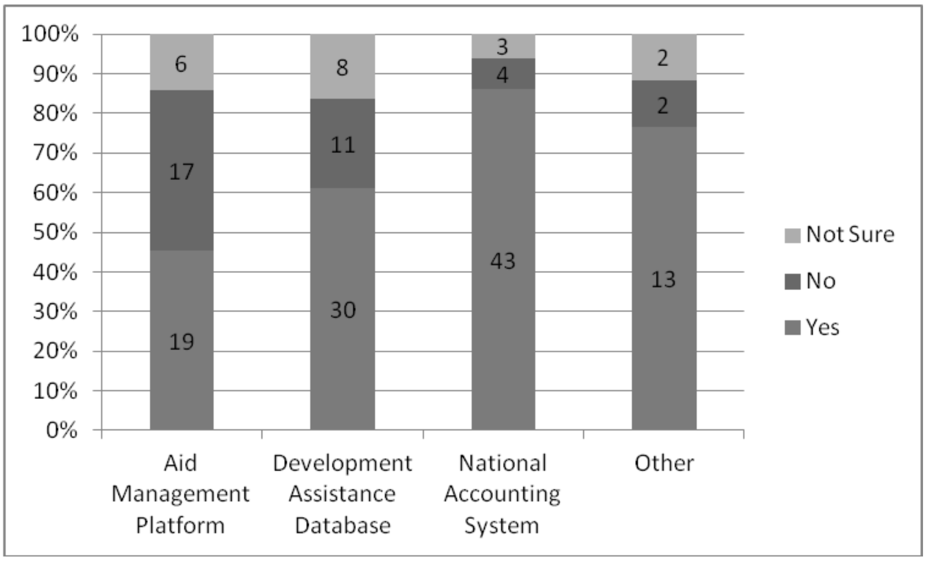
Partner countries are keeping track…

51. Firstly partner countries were asked if they kept track of external concessional financing. The majority, 62 out of 84 countries report that they do keep track, 13 do not and a further 9 countries are either unsure or did not answer the question. What is clear from the responses is that there are various institutional responsibilities with tracking preformed usually in the Finance or Economic Planning ministries; the trade ministry is peripheral in this process. Given that most of the questionnaires were filled out by officials from trade ministries, they experienced difficulties in estimating aid for trade flows as in the case of Gambia and many others *"records are kept at the Loans and Debt Office under the Ministry of Finance"* or *"The External Resources Department in the Ministry of Finance co-ordinates the donor support and financing to our budget*" as in Kenya, or the Development Assistance Coordination Office in the Ministry of Finance and Economic Development in Sierra Leone, or the Ministries of Economic Planning and Development and the Ministry of Finance in Swaziland.

…but mostly only of ODA going directly to their budgets…

52. The survey confirms the findings that the two major systems used by partner countries to better manage aid flows are the Aid Management Platform (AMP) developed by Development Gateway, and the Development Assistance Database (DAD) developed by Synergy International Systems. A number of countries have also developed "home-grown" systems (OECD, 2009). In the questionnaire 19 countries indicate use of the AMP and 30 of the DAD while others use these along with national accounting systems. In fact 43 countries rely on some form of national accounting.

Figure 3.18 Partner country aid tracking systems



53. The AMP uses the AiDA (Accessible information on Development Activities) standard and relies on data harvesting techniques. The recipient country database is automatically linked to the OECD/CRS database and several other international donor databases, such as those from the World Bank and the United Kingdom. On the other hand, DAD relies on in-country reporting mechanisms by aid agencies. The advantage of the DAD approach is that data is based on what is actually happening in the field and so, in theory, should be more reliable. The DAD can also be linked more closely to recipient country budget classifications. Because it is web-based, the DAD is accessible to the public at large. However, the disadvantage of this approach is that sectoral classifications may greatly vary between countries causing discrepancies between country level date the aggregate level. Questions have arisen as to the reliability of the data in the system. Without credibility, development partners have become weary of supplying information to the DAD, reducing effectiveness still further.

54. In Burundi a National Committee for Coordination of Aid uses the AMP. While others such as Cape Verde are in the process of instituting an AMP scheduled for completion in late 2011. Gabon is also working on a particular system. In the Solomon Islands the Ministry of Development Planning and Aid Coordination is currently developing an Aid Management Platform to improve the coordination of aid in the country. The government in Suriname will establish an aid coordination unit within the Ministry of Finance. Gambia keeps records at the Loans and Debt Office under the Ministry of Finance which uses the Commonwealth Secretariat Debt Relief Management Strategy to capture all loans and grants in the country. However, they are planning on implementing and are currently training on an AMP. Within the EIF, the Government will create an aid-for-trade database. However in general there are no specific systems used for gathering information on aid for trade.

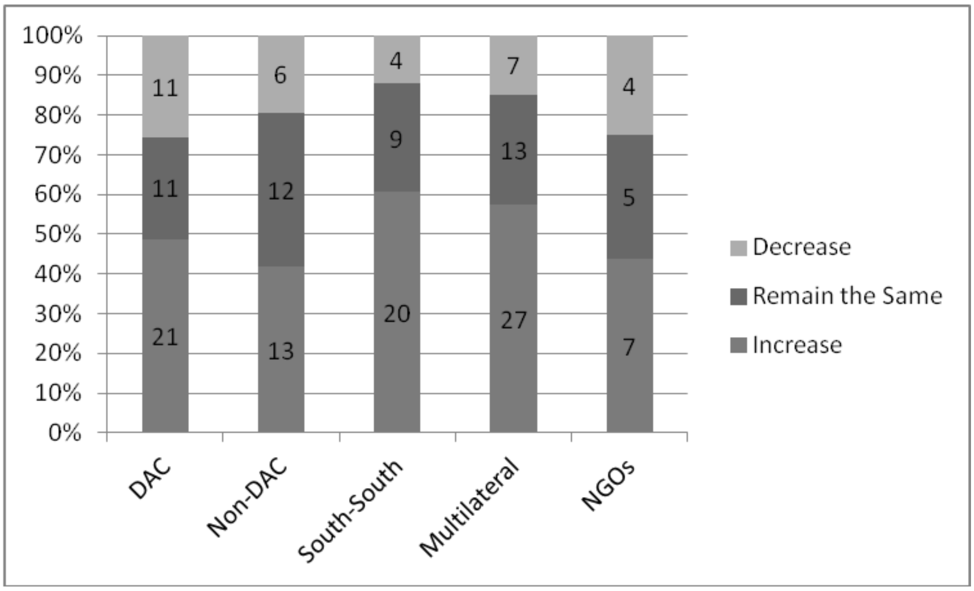
55. Several partner countries also have their own systems such as Ecuador's Information System for International Development. Zambia uses an Excel and Access based systems (Ministry of Finance and National Planning in-house system). Uganda also uses a *"spreadsheets developed in house*." In Fiji the Aid Unit in the Ministry of Finance has a excel spreadsheet database which has details of aid inflows; however the unit is currently discussing with UNDP on the formulation of the DAD. All external concessionary financing inflows are captured through the national accounting system or Financial Management Information System (FMIS).

56. Systems vary in their complexity, Azerbaijan keeps track "through simple filing in the organisation" whereas in Indonesia has multiple databases for managing its aid budget, "with regard to aid management platforms, Indonesia has two schemes: the Blue Book and the Borrowing Strategy; for the development assistance database, Indonesia has Debt Management and Financial Analysis System; the National Accounting System of Indonesia is Central Government Accounting System and Local Government Accounting System that recorded all aid and loan in State Budget scheme."

Most partner countries confirm that aid for trade is increasing…

57. Where partner countries are tracking flows and are able to say something about how flows have changed in recent years, most point to increases from all donor groups. 32 countries say aid for trade has increased or stayed the same since 2008 with 21 pointing to increases. South-south and multilaterals have also increased their aid for trade, with 60% indicating increasing support from these providers of assistance. Less recognise NGOs with only 16 partner countries being able to say anything about resources provided from this source. 11 countries indicate declines for DAC donors and 7 for multilateral. It is telling though that almost half are unable to say anything about changes in aid for trade highlighting the lack of detailed information at the country level.

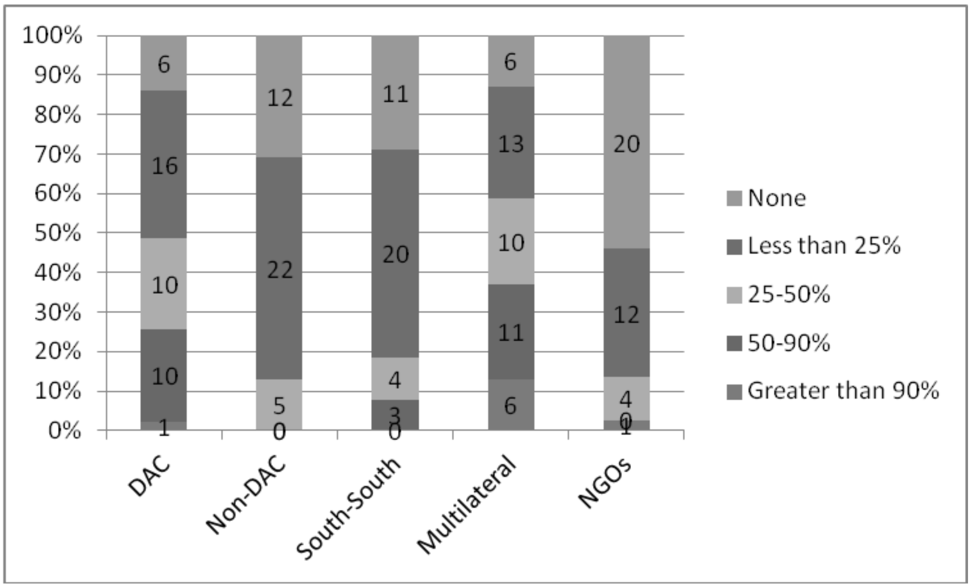
Figure 3.19 Changes in Aid for Trade according to Partner countries



… others are unable to say much about the details of aid-for-trade flows…

58. This was further confirmed when partners were asked about the composition of aid for trade by type of provider. While many partners were able to assess whether aid-for-trade was increasing or not, fewer were able to provide information on the magnitude and provision by type of donor. On average over 40 countries were unable to answer this question about providers of assistance. Of the answers there is a credibility gap in that not all responses fully account for their aid envelope and over 50% do not recognise the contributions of NGOs. These answer indicates considerable gaps in local accounting systems when it comes to aid for trade.

Figure 3.20 Distribution of Aid for Trade by donor



Better local accounting systems are needed…

59. Most ODA is delivered to public sector institutions. In the case of aid for trade, DAC donors use this channel for more than three quarters of their commitments, while about 6% is delivered through NGOs Public private partnerships are only a minor destination and represent less than 1% of flows. While reporting on delivery channels is not complete, the available data suggests that these trends for multilaterals are similar. For ODA delivered to the public sector, the finance ministry is just one delivery channels together with sector ministries and other public and private organisations.

60. Thus, multiple agencies need to be involved in tracking ODA flows and these efforts need to be combined and tabulated. However, little is known about the extent to which the partners attempt to collect information about the totality of ODA as reported by donors to the CRS. In Madagascar the Central Bank and the National Institute of Statistics carry out biannual surveys on NGOs. Ethiopia keeps track of concessional financing, but not of ODA to local NGOs (a major destination of funds from the United States) or to private associations like chambers of commerce. In Grenada, aid for trade flows are monitored by the agencies and ministries associated with the various projects that are part of the Public Sector Investment Programme. *"However, the data is not disaggregated and only actual disbursements are registered.)"*. Lao PDR's aid-for-trade database tracks overall project volumes, but does not provide annual disbursement data. This would again lead to major differences in the CRS flows which are recorded annually.

…but reconciling data between the country and global level is challenging…

61. Even if partner countries could track aid-for-trade flows more accurately there would still be a number of factors to account for the discrepancy between flows recorded in the CRS and flows recorded in national accounts:

- CRS data provides the monetary value of in-kind aid such as most forms of technical co-operation, whereas partner countries will only see the services rendered. In addition the cross-cutting nature of aid for trade means that certain projects may be accounted for under different codes in country systems, perhaps in line with allocations to ministries.

- CRS data is usually presented in constant terms and US dollars. In contrast, partner country data will likely be in nominal terms and in a number of currencies.
- Accounting systems of partner countries may also be based on a specific financial year which might differ from the CRS reference year.
- Government systems will provide information on budgets, while CRS reports are based on annual disbursements.

62. In summary there are many different approaches involving different systems, in different ministries with different timeframes, and accounting cycles. Coordinating all these various actors is difficult which explains why many countries do not recognise the global flows.

…also because the CRS and local aid tracking system have different functions…

63. A recent study by the OECD and the Development Gateway concluded that the OECD Creditor Reporting System and local aid information management systems have "distinct and important roles." Few local databases on aid provide accurate data. Furthermore the different platforms create difficulties with integration into international data bases (Khadras, 2010). OECD (2009) compared data in the AMP and the CRS and concludes that while the data are comparable in aggregate terms, the systems differ in purpose, coverage, and sector classifications, among others. Country systems, such as the AMP, are central to managing aid flow on a day to day basis, while CRS is the authoritative source for aggregate data that is most useful in international comparisons and historical analysis. This is an essential function in aid for trade to access additionality, comparability and to monitor the Hong Kong aid for trade pledges. Although progress is being made, it is clear that without better local aid databases developing countries cannot hold donors truly accountable.

…and the definition of aid for trade remains an issue…

64. The Soloman Islands provides a partial explanation as to why so few can answer these questions – "There is insufficient information available to answer these questions, particularly given the broadness of the definition of aid for trade and the fact that trade-related financing is not distinguished from other types of external financing". As Cameroon and others note they have difficulty in identifying the border between aid for trade and ODA. Nepal also makes a similar point; "since aid for trade covers assistance to increase export of goods and services, training to trade officials, support for national stakeholders, institutional support and so on, no clear demarcation has been made in practice between traditional ODA and aid for trade. This has hampered not only on accessing aid for trade but also on predictability in terms of volumes, conditions and procedures." Ultimately major differences in the perception of aid-for-trade flows stem from the definition of aid for trade. The provision of aid-for-trade assistance to countries pre-dates the launch of the initiative, and "created some confusion as to what can be described as aid for trade" (UNECA, 2010).

65. While the Task Force defines aid for trade as whatever a partner country considers trade-related, the CRS proxies described earlier in this chapter were chosen to track progress in aid-for-trade flows, specifically to measure additionality. The advantages of the CRS were its coverage and its historical data allowing the WTO and OECD to track what was happening and what was not. Essentially these proxies capture all donor support to economic sectors, whether for the tradable sector or not. While inexact the proxies enable the aid-for-trade community to assess the magnitude and distribution of flows that support trade. Statistical approximations are needed because getting exact measures of what is specifically trade related could not be achieved efficiently or in a cost-effective manner.

66. Each country will have a different definition and this sometimes create confusion. For example while India is one of the largest beneficiaries according to the earlier discussion, but India's own definition of aid for trade is narrower; *"except for a DFID (Department for International Development) funded UNCTAD India Project that wound up in 2010, no aid that comes to India is for trade. All the bilateral assistance that India gets is for either social sector or for infrastructure."* In addition trade ministries in developing countries generally only consider trade-related activity in its narrowest sense. Economic infrastructure and building productive capacity which represent the vast majority of the aid-for-trade flows may only partly be trade-related. However, it would not be possible to get an exact number on this so instead the total numbers are used as proxies. If the proxies are increasing, as they have been, then generally we can say that donors are doing more in support of trade. In addition these areas provide an essential enabling environment in which firms and individual producers can access finance, market and distribute their goods. It provides public goods such as transport networks, energy and communications. It also helps build capacities in its broadest sense not just for traders or producers.