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AID FOR TRADE FLOWS: 2008

Room Document 1

Joint meeting of the Development Assistance Committee and the Working Party of the Trade Committee on Aid for Trade

7 June 2010, OECD Conference Centre

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EXECUTIVE SUMMARY

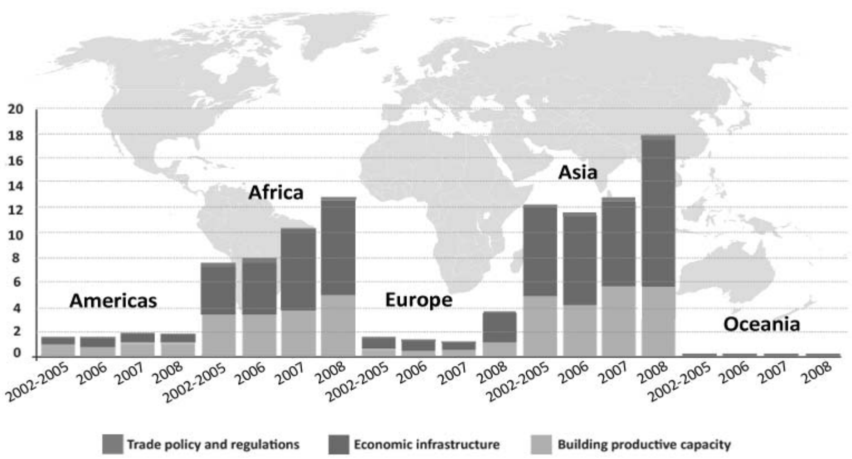
Aid for trade reached new heights in 2008…

The international community has continued to mobilise new aid for trade resources. In 2008 commitments totaled USD 41.7 billion, a 35% increase in real terms from 2007, and an increase of 62% from the 2002-05 baseline. The scale of the rise was such that aid for trade now reaches 37% of sector allocable ODA, up from 32% in 2007.

…evenly shared in terms of geographical coverage and sectoral distribution, …

Asia and Africa continue to dominate the aid-for-trade flows. Asia now receives 44% of total flows, Africa 35%, Europe 9%, Americas 5% and Oceania 1%. In 2008, aid for trade to Asia increased by 40% on the 2007 figures, while the rise for Africa was 23%. All areas of the agenda received growing support; trade policy and regulation increased by 37% and now stands at USD 1.3 billion; economic Infrastructure rose by 43% and now stands at USD 23 billion, while the resources for building productive capacity increasing 24% to USD 17 billion.

Aid-for-Trade Commitments by Region and by Type, 2002-08



…with most donors scaling up their support.

In addition to the 54% growth from bilateral donors, support from multilateral donors increased by 6%, while Other Official Flows (OOF) stood at USD 25.7 billion. Japan was the largest aid-for-trade donor in 2008 (USD 8.7 billion), followed by the United States (USD 6.4 billion), European Union (USD 5.9 billion), International Development Association (USD 5.2 billion) and Germany (USD 2.9 billion).

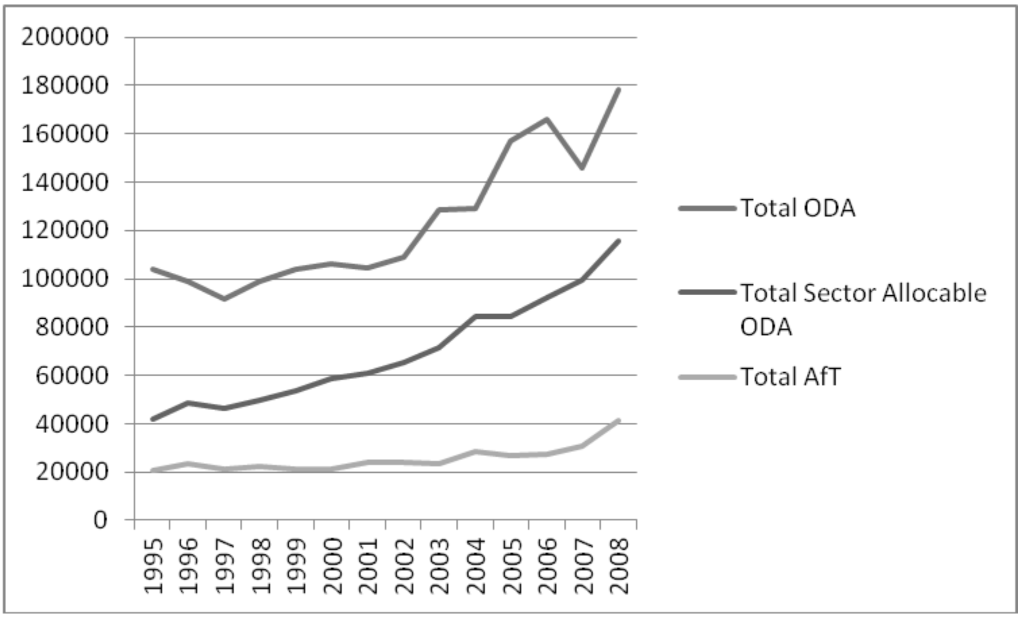
AN OVERVIEW OF THE 2008 AID-FOR-TRADE FLOWS

1. Introduction

1. The highest dollar figure in Official Development Assistance (ODA) in history was recorded in 2008. Aid flows increased as donors pledged to reach ambitious targets set at the Gleneagles G8 and UN Millennium+5 summits. Sector Allocable ODA[1] has been growing strongly since the late 1990s (Figure 1). Aid directed to economic sectors as captured by aid for trade has also seen an increase in terms of volume but failed to keep pace with the increasing resources devoted to social sectors, such as health and education. However since the start of the Aid-for-Trade Initiative there has been a noticeable rise in support for the trade and economic growth agenda. The rise was additional and did not come at the expense of other sectors. In 2007 the share of aid for trade in total sector allocable aid stood at 32% and grew to 37% in 2008 despite the large overall increase in sector allocable aid in total ODA.

Figure 1. Long term trends in ODA and Aid for Trade[2]

Commitments USD million (2008 Constant)



Source : OECD / DAC Creditor Reporting System (CRS)

[1] Sector Allocable ODA is total ODA less humanitarian aid, debt relief, budget support, food aid, administrative costs, support to NGOs, Refugees in Donor Countries.

[2] This figure and all others show amounts in 2008 Constant USD. All numbers quoted in this paper are in this form.

2. This paper analyses the 2008 aid-for-trade flows, trends, distribution and outlook. While the aggregate picture is positive, the outlook is nuanced by an economic environment which is less promising, potentially limiting the availability of further new resources. Aid-for-trade flows increase in most sectors for most regions but the distribution shows the limits of global monitoring and raises some questions about priorities and the predictability of financing. The rest of the paper is structured as follows. Section 2 provides details of the global pattern and sectoral distribution of aid for trade. Section 3 looks at the main recipients, while Section 4 outlines donor's success in scaling up aid for trade. Section 5 examines Other Official Flows. Section 6 concludes.

2. The Global Flows

Strong real growth in aid for trade…

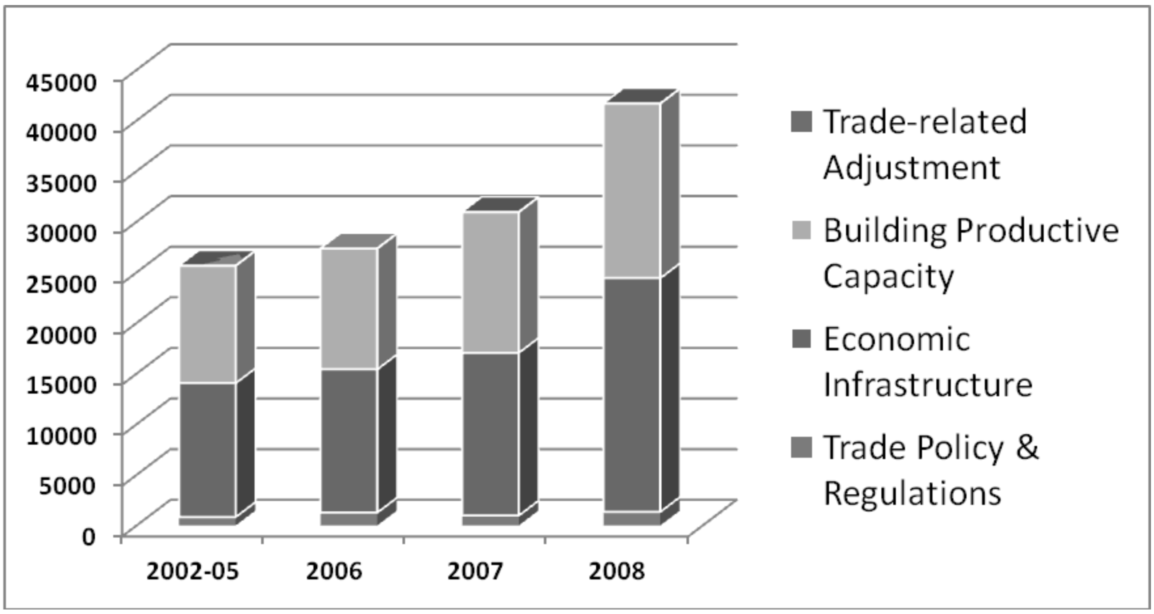
3. Aid-for-trade flows have been increasing strongly in real terms since the launch of the Aid-for-Trade Initiative at the Hong Kong WTO Ministerial in 2005. At the 2009 Global Aid for Trade Review, the OECD reported on a 21% increase in real terms for 2007 compared to the 2002-05 baseline. In 2008 aid for trade grew by another 35%. This brings the total increase to 62% compared to the baseline period and shows that donors are scaling up their aid-for-trade programming with increasing momentum. The total amount of aid for trade provided attained USD 41.7 billion in 2008; an USD 11 billion increase.

…with increase in all categories…

4. All aid for trade categories received increased donor support. Economic infrastructure recorded the largest increase with 44%, and reached USD 23 billion, while building productive capacity grew with 24% to USD 17 billion. Trade policy and regulation grew by 37%, to USD 1.36 billion. Finally trade-related adjustment rose significantly albeit from a low base and still remains small relative to the other categories (Figure 2).

Figure 2. Global Trends by Category

Commitments USD millions (2008 Constant)

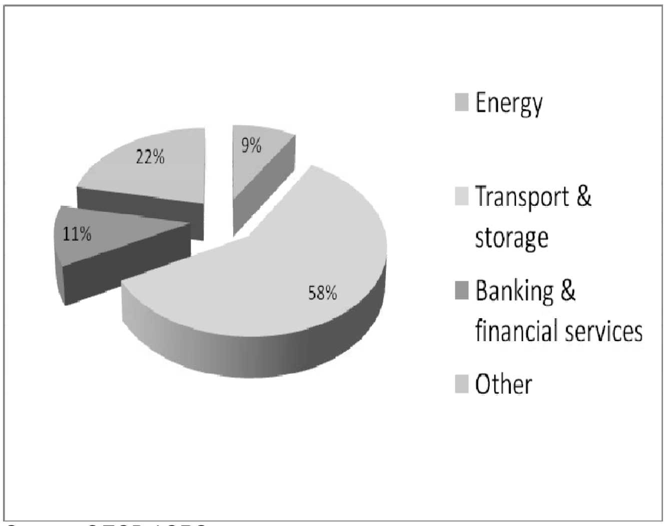


Source : OECD/CRS

…but concentrated in a few sectors…

5. Increases in aid for trade flows in 2008 were widely shared among the different categories. Only two sectors received less support, communications fell by 33% and tourism by 16%. The additional resources were concentrated in three sectors which together accounted for almost 80% of the USD 11 billion increase (Figure 3). Transport and storage captured 58% of the additional flows and grew 75% to USD 14.6 billion (now 35% of total aid for trade). Banking and finance, and energy both increased by a USD 1 billion, with banking and finance capturing 11% of the additional resources and energy 9% (Figure 3). Likely as a response to the food crisis, donors also continued to scale up aid to the agriculture sector up 7% in 2008 compared to 2007 and 55% with the baseline.

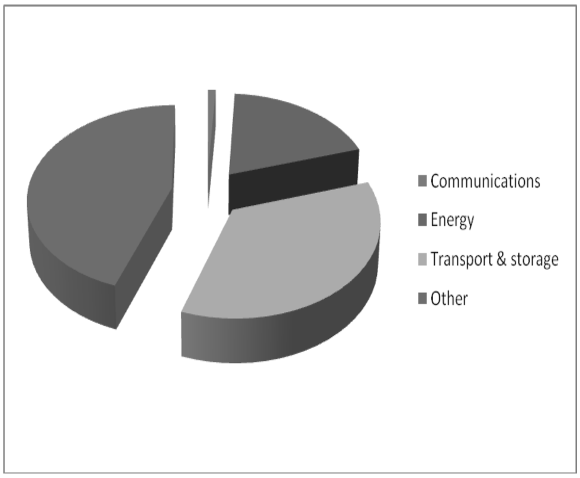
Figure 3. Share of Aid for Trade Increase in 2008 at the Sectoral Level

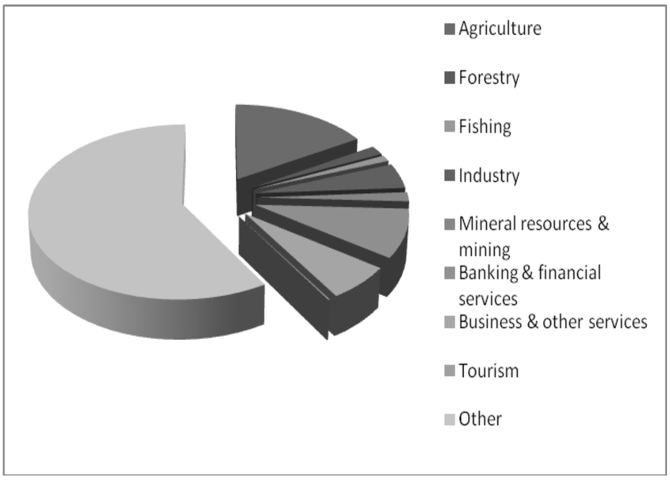


Source: OECD / CRS

6. Agriculture is the largest subsector of productive capacity building although both banking and financial services and business and other services recorded significant growth rates in 2007 and again in 2008 (Figure 4). In fact, donor support to banking has doubled since the baseline, while business support increased by 59% during the same period. Trade development as an objective for productive capacity building rose to USD 4.1 billion, with USD 1.9 billion as the principal objective and USD 2.3 billion as a major objective. This represents a 58% increase compared to 2007. This shows that Trade Development was an important objective in the majority of Productive Capacity Building. Furthermore, more donors are reporting their trade development activities (20 bilateral donors and 5 multilaterals).

Figure 4. Share of Economic Infrastructure and Productive Capacity in 2008 Aid for Trade





Source : OECD / CRS

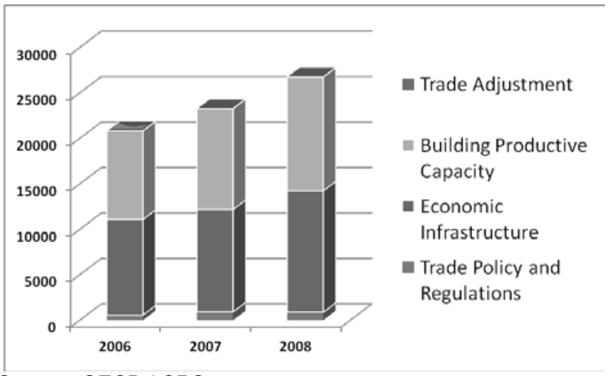
…with a high share of loans financing.

7. A significant proportion of aid for trade to economic infrastructure is in the form of concessional loans. For instance, the proportion of loans in support of transport and storage increased to 65% in 2008. This implies that an increasing share of support to this sector has been in the form of loans. Loans to energy projects correspond to 56% of the flows, down from 58% in 2007. Loans generally represent a smaller share in other categories, for example in 2008 loans were only 32% of flows to agriculture, forestry and fishing.

Increased commitments of the past years are resulting in higher disbursements

8. Aid-for-trade disbursements have been growing steadily, reaching USD 26.8 billion a 15% increase or USD 3.8 billion on 2007 (Figure 5). Disbursements show financial payments and are the realisation of donor's intentions and the implementation of their policies. Rising disbursements demonstrate that the increasing commitments made in 2006 and 2007 are being realised.

Figure 5. Aid-for-Trade Disbursements
USD Million (2008 Constant)



Source : OECD / CRS

3. Distribution of Aid for Trade Commitments and Disbursements

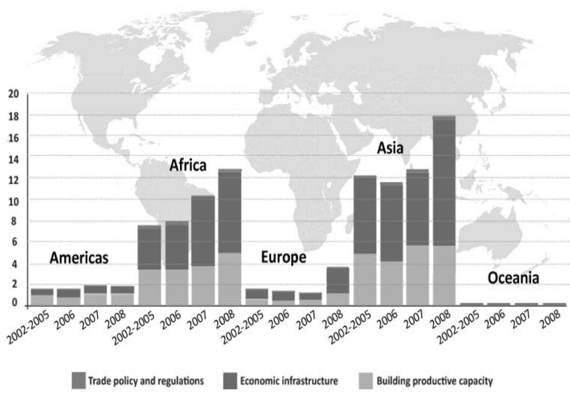
Large increases in aid-for-trade flows to …

9. Asia remains the largest recipient of aid for trade with India, Iraq, Vietnam and Afghanistan being among the major individual recipients. Asia obtains an additional USD 5.3 billion compared to 2007 and reached USD 18.5 billion. Most of the growth took place in support to economic infrastructure projects which received an additional USD 4.5 billion. In addition, donors supported productive capacity building with an additional USD 465 million and trade policy and regulation with USD 221 million.

10. Flows to ***Africa*** remained stable between the 2002-05 baseline and 2006. In 2007 there was large increase and this progress has continued through 2008 when aid for trade reached USD 13 billion up from just over USD 10 billion in 2007. The majority of the increase went to productive capacity building (up USD 1.3 billion or 52%), followed by economic infrastructure (up USD 1 billion or 44%).

11. The large increase in ***Europe*** of USD 2.5 billion goes mostly to economic infrastructure (up 67%). This change is largely explained by one project in Turkey which is discussed below.

Figure 6. Aid-for-Trade Flows by Region
Commitments, USD Million (2008 Constant)



Source : OECD / CRS

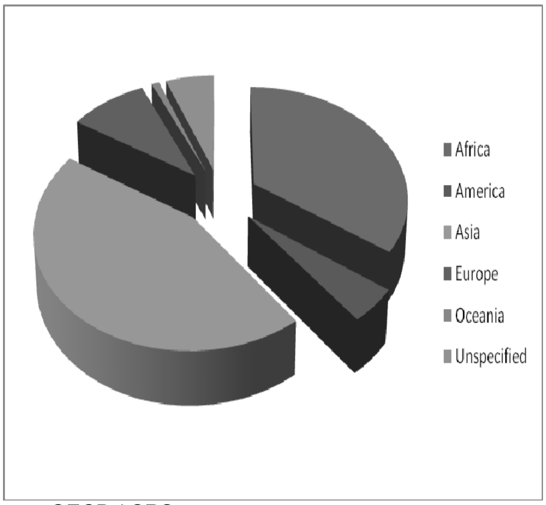
12. In 2008, Asia received 44% of total aid for trade, 35% went to Africa, commitments to Europe stood at 10% and those to the Americas under 5% (Figure 7).

13. These shares represent significant changes from 2007 and reflect the large increases in 2008 to Asia (up 40%), Africa (up 27%) and in particular to Europe.

14. Support to the Americas declined from 7.6% of total aid for trade in 2007 to just 4.6% in 2008. Oceania obtained slightly more in 2008 but had a declining share of total aid for trade which is now under 1%.

15. Nevertheless aid for trade has grown significantly to all regions since the baseline including a 76% increase to Africa, 47% increase to Asia, 12.5% to the Americas.

Figure 7. Regional Distribution in 2008



Source : OECD / CRS

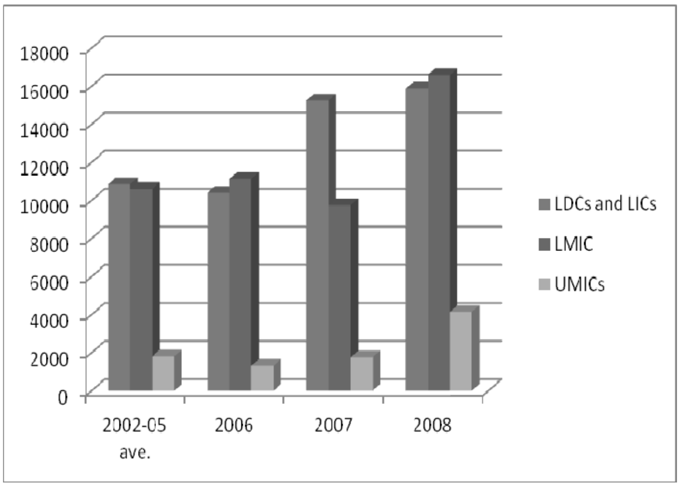
Flows to all Income Groups are increasing…

16. All income groups received additional support in 2008 (Figure 8). In 2007 the large increase was recorded in flows to the Least Developed Countries (LDCs) and Other Lower Income Countries (OLICs), which combined, received most support.

17. However, in 2008 the most significant growth occurred in Lower Middle Income Countries (LMICs). This is perhaps not surprising given the increased support to economic infrastructure in 2008.

18. LDCs receive USD 10.5 billion or 25% of the total flows, while OLICs were supported with USD 5.3 billion, or 12% of the total. LMICs obtain USD 16 billion, or a share of 40% of the total aid for trade flows (up from 31% in 2007). Upper Middle Income Countries (UMIC) also benefited from a significant rise of USD 2.4 billion and now stand at USD 4.1 billion, *i.e.* 10% of the total.

Figure 8. Aid-for-Trade by Income Group
Commitment USD million (2008 Constant)



Source : OECD / CRS

…with 20 countries accounting for over 70% of the flows.

19. At the country level, the top 20 recipients obtained over 70% of the allocated flows (Figure 9). Countries from all income groups are represented, with ten from Asia, nine from Africa and one from Europe. There are six LDCs (Afghanistan, Ethiopia, Mali, Tanzania, Mozambique, Bangladesh), six Other Low Income Countries (Ghana, India, Mongolia, Nigeria, Viet Nam, Pakistan), seven Low Middle Income

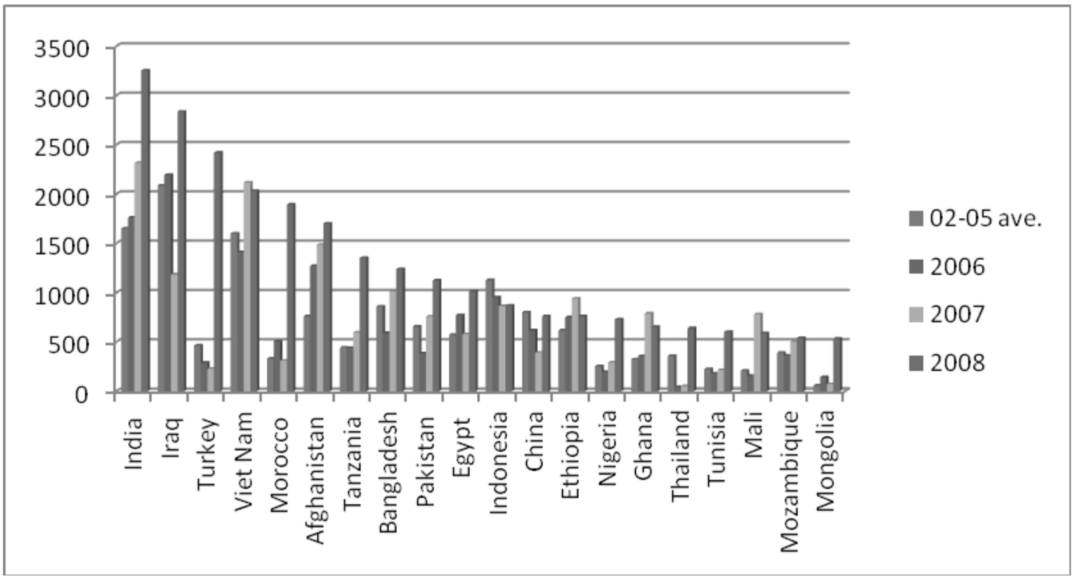
Countries (China, Egypt, Indonesia, Morocco, Thailand, Tunisia, Iraq) and one Upper Middle Income Country (Turkey).

20. The top 20 list shows stability in donor flows with 16 of the 20 top recipients in 2007 also in the top 20 list in 2008. New to the list are Turkey (increased flows largely because of USD 1 billion from the European Investment Bank for the Istanbul Urban Transport project), Tunisia (USD 400 million increase in energy, mostly wind energy from Spain), Thailand (Bangkok mass transit [purple line] – USD 600 million loan from Japan) and Mongolia (US rail and Japan airport investments). Of those who dropped out of the top 20, Kenya is perhaps the most dramatic case, declining from over USD 900 million to just USD 90 million, presumably linked to election violence and political instability. Other cases highlight the decline in flows to the Americas (Bolivia, El Salvador received much less in 2008 compared to 2007). Aid for trade to Uganda halves but there were large economic infrastructure investments in 2007. These examples show how one or two large projects can dramatically increase aid-for-trade commitments.

21. As in 2007, India is the largest recipient in terms of volume with USD 3.2 billion up from USD 2.3 billion in 2007. Iraq was the main beneficiary in both the baseline period and in 2006 but fell back in 2007 before rebounding in 2008 with USD 2.8 billion. Turkey, surprisingly received the third highest flows, the USD 2.4 billion represents a 950% increase on 2007. Viet Nam remains in the top five but flows have declined slightly since 2007. Morocco is another case of an extreme rise in aid for trade (500%). This is largely because of ODA funded economic infrastructure investments in energy and rail transport.

Figure 9. Top 20 Aid-for-Trade Recipients in 2008 (Commitments)

Commitments USD million (2008 Constant)

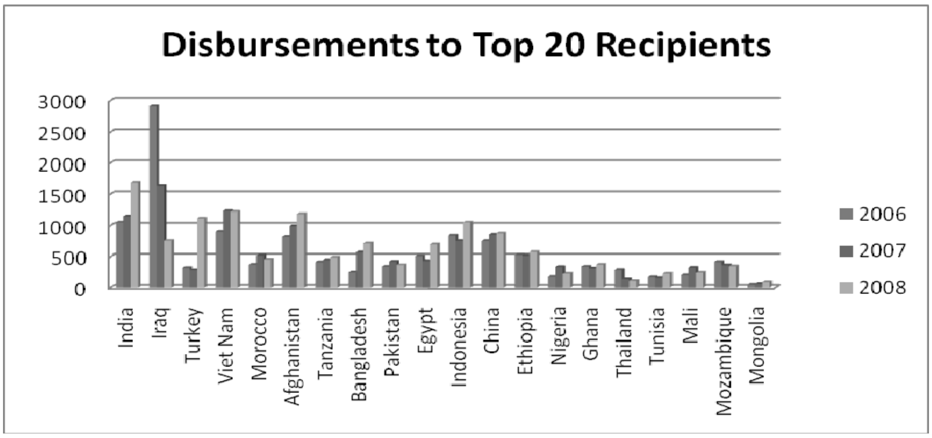


Source: OECD / CRS

22. Disbursements to the top 20 recipients are mostly increasing in response to the higher commitments (Figure 10). Iraq is an exception where disbursements have fallen sharply from the high point of 2006. There have been steady increases annually to India, Afghanistan, Tanzania, Bangladesh, China and Ethiopia.

Figure 10. Top 20 Aid for Trade Recipients in 2008 (Disbursements)

Disbursements USD million (2008 Constant)



Source: OECD / CRS

There are more global, regional and multi-country programmes…

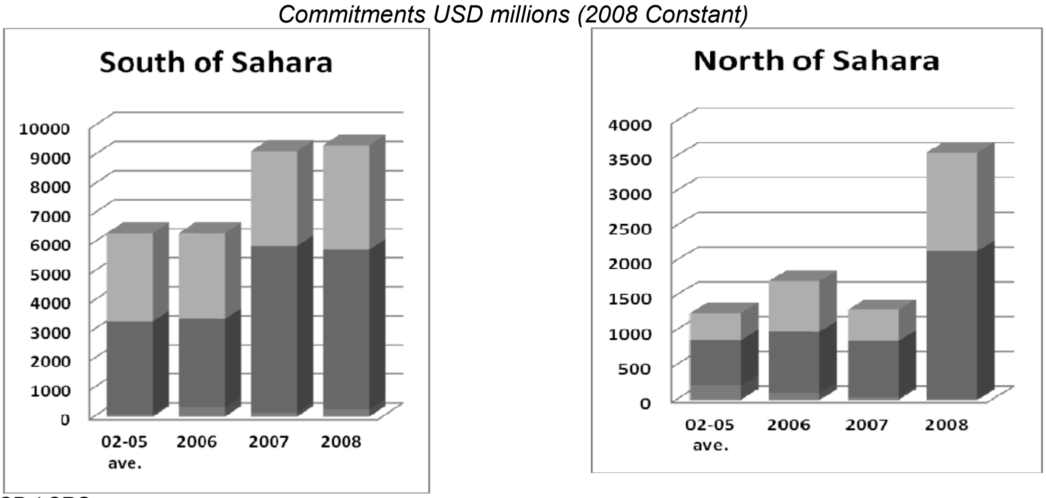
23. Global, regional and multi-country programmes (including country unallocated) are continuing to play a growing role. Such flows doubled from the baseline period to 2007 to reach USD 4.1 billion. In 2008 there was a further increase of almost USD 900 million. Regional flows to Africa grew by USD 600 million to USD 1.6 billion, indicating that donors are responding to trade related challenges which are regional in nature. Not surprisingly, a significant share of aid for trade to Oceania is regional, with USD 172 million being provided in 2008. USD 300 million in total went to the Americas, USD 400 million to Asia, and USD 100 million to Europe.

…but a mixed picture in Africa.

24. As the previous sections have noted, aid for trade to Africa has risen steadily. As Figure 11 shows, in 2007 there was a sharp increase to South of Sahara and that increase has been sustained in 2008. However, the major rise in Africa in 2008 was down to North of Sahara which had 3 countries in the top 20 aid-for-trade recipients; *i.e.* Morocco, Egypt and Tunisia. The growth was mostly in economic infrastructure (energy, mostly renewable – wind in Tunisia, solar in Egypt and rail and road transport in Morocco). This contrasts with South of Sahara which saw a decline in aid financed investment in economic infrastructure, although this was offset by increases in both productive capacity building and technical assistance for trade policy and regulations. While the North represented most of the growth to Africa, it corresponds to 28% of the total flows to Africa, up from 12% in 2007.

Figure 11. Aid-for-Trade flows to Africa, South and North of Sahara

Commitments USD millions (2008 Constant)



Source : OECD / CRS

4. Who are the Main Providers?

25. Donors are scaling up their aid-for-trade resources with the top 5 donors accounting for 70% of total flows. Japan was the largest aid-for-trade donor (USD 8.7 billion) in 2008, followed by the United States (USD 6.4 billion), European Union (USD 5.9 billion), International Development Association (USD 5.2 billion) and Germany (USD 2.9 billion). These donors provide over 70% of total aid for trade.

26. *Japan* provided an increase of USD 3.8 billion to USD 8.7 billion in 2008 and now offers 20% of total aid for trade. This represents a 79% rise of Japanese aid-for-trade flows. Japan boosted its share of aid for trade in sector allocable ODA from 49% in 2007 to 69% in 2008. Most of the additional flows (almost USD 3 billion) went to transport and storage, while there were also large rises for industry (up USD 454 million) and mineral resources/mining (up USD 479 million).

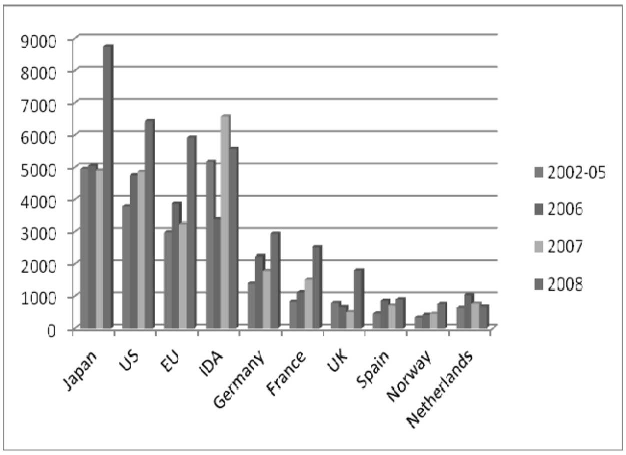
27. *The United States* channels almost 80% of its aid for trade to three sectors; energy (25.8%), transport and storage (28.4%) and agriculture (23.3%). This distribution was almost the same as 2007 but with US flows increasing by USD 1.5 billion to USD 6.4 billion (15% of total aid for trade), all three sectors obtained growing support.

28. The EU augmented its aid for trade by USD 2.7 billion to USD 5.9 billion, USD 2.3 billion of this for transport and storage. The share of aid for trade in sector allocable aid increased from 30.7% to 45%. The IDA doubled its support to trade policy and regulation, but flows to energy and transport and storage declined by 40% and 18% respectively. Overall flows from IDA declined by 15% but the share of aid for trade in sector allocable increased slightly to 48.8%.

29. *Germany* increased its aid for trade by USD 1.2 billion or 65% to reach USD 2.9 billion. Germany allocates a growing share of its aid for trade to energy (43.4% in 2008 compared to 31% in 2007). It rose by USD 727 million to 1.3 billion in 2008. In addition Germany channels a large share of its aid-for-trade through multilateral agencies (See Box 1).

Figure 12. Commitments from the main aid-for-trade donors

USD Million (2008 Constant)



Source : OECD / CRS

Bilateral donors increase aid-for-trade flows by 54%

30. Bilateral donors increased their aid-for-trade flows by 54% to a total of USD 28 billion, while aid for trade from the multilateral donors increased by 6% and reached USD 13 billion. The share of aid for trade in sector allocable ODA grew from 28% to 34% for bilateral donors and from 43% to 47% for multilaterals.

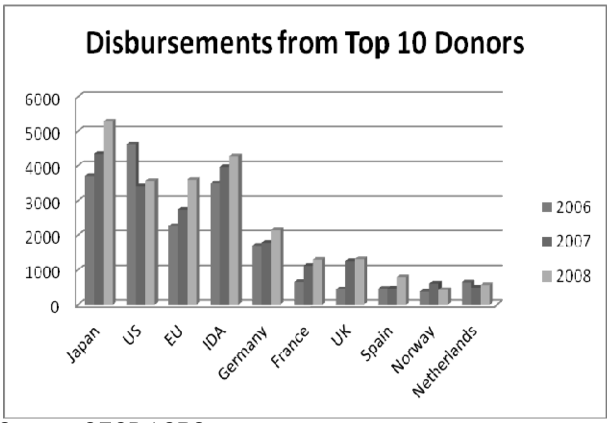
31. France offered USD 1 billion more to reach USD 2.5 billion with most of the growth going to transport and storage which received 57% of aid for trade. The United Kingdom provides half of its aid for trade to the support for the banking and finance sector. In 2008, half of the USD 1.3 billion additional resources was allocated to this sector. It also provided an additional USD 300 million to agriculture. Spain (up 28% to USD 897 million) and Norway (up 71% to USD 755 million) also increased their aid-for-trade support, increasing the aid-for-trade share of sector allocable aid to 29% for Spain (up from 24% in 2007) and 28% for Norway (up from 20% in 2007 and 19% in the 2002-05 baseline). The Netherlands decreased its aid for trade by 12% to USD 672 million with a share in sector allocable aid declining from 25% in 2007 to 17%.

Disbursements are also increasing steadily

32. Donors are scaling up their disbursements steadily (Figure 13). This is consistent with the growing commitments reported in previous years. In 2008 Japan had the largest disbursements (USD 5.3 billion), an increase of 21% on 2007, followed by International Development Association (USD 4.3 billion), European Union (USD 3.6 billion) and the United States (USD 3.6 billion).

Figure 13. Disbursements from the main aid-for-trade donors

USD Million (2008 Constant)



Source : OECD / CRS

5. Other Official Flows

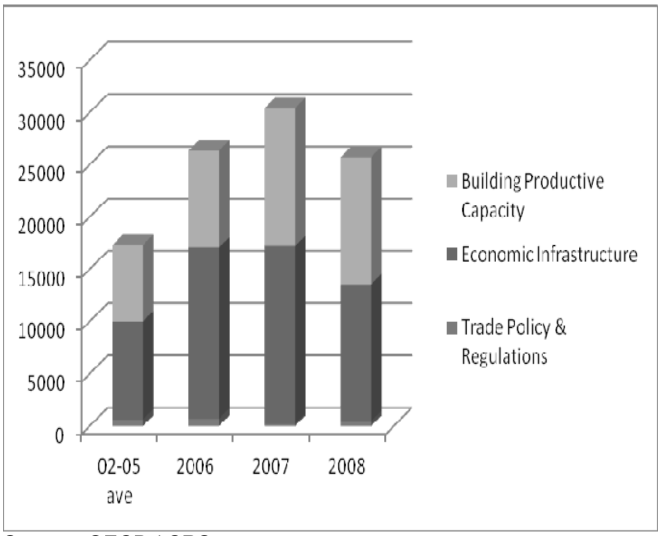
33. Other Official Flows (OOF) are transactions by the official sector with countries on the DAC List of Aid Recipients which do not meet the conditions for eligibility as Official Development Assistance or Official Aid, either because they are not primarily aimed at development, or because they have a grant element of less than 25%. As noted by the 2009 *Aid for Trade at a Glance Report*, these flows play a crucial role in financing trade-related activities but they are not aid for trade.

Other Official Flows decline by 15%...

34. OOF decreased 15% to USD 25.7 billion in 2008. USD 13 billion goes to Economic Infrastructure, USD 12 billion to Building Productive Capacity and USD 0.5 billion to Trade Policy and Regulations. There were significant changes in flows from the main donors.

Figure 14. Other Official Flows Commitments in 2008

USD Million (2008 Constant)



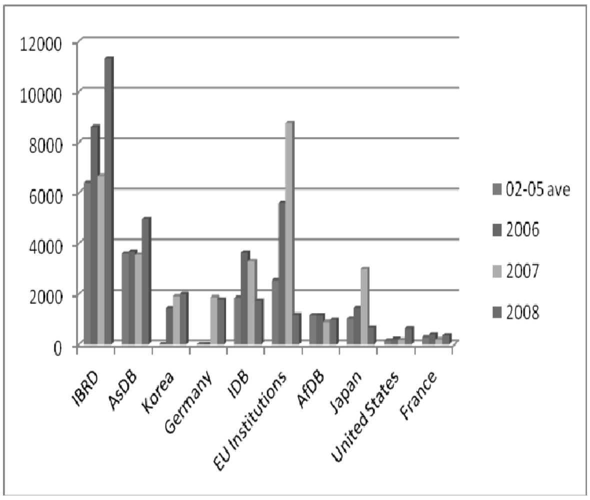
Source : OECD / CRS

…with significant variations among donors

35. The International Bank for Reconstruction and Development (IBRD) provided 44% of total OOF, or USD 11.6 billion, up 69% on 2007. The Asian Development Bank offered an additional USD 1.4 billion on 2007 to reach almost USD 5 billion. South Korea supplied almost USD 2 billion, a similar amount to that provided in 2007. The EU had a dramatic fall in OFF, and gave just over USD 1 billion, down USD 7.5 billion on 2007. Flows from Germany, the Inter-American Development Bank and Japan also declined by differing amounts.

Figure 15. Top Providers of OOF in 2008

USD Million (2008 Constant)



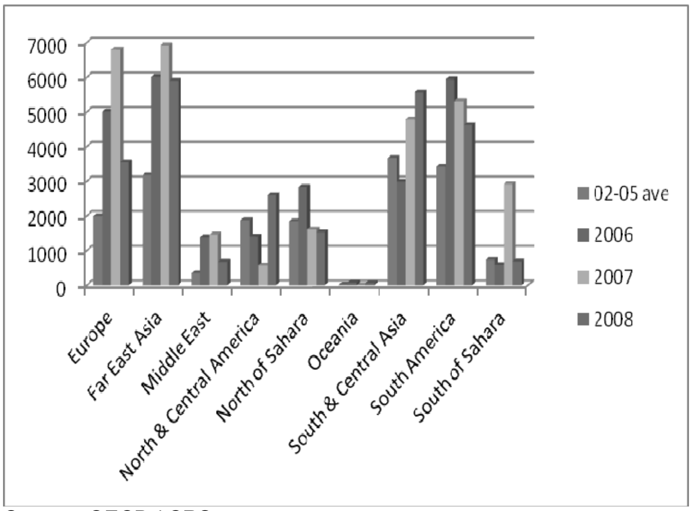
Source : OECD / CRS

…and directly mainly to Middle Income Countries in Asia, the Americas and Europe

36. OOFs mostly go to Asia, South America and Europe. Flows to sub-Saharan Africa are extremely small and declined sharply in 2008. Flows to most regions decreased in 2008 with the exceptions of South and Central Asia and North and Central America. This is explained by the fact that OOFs are more likely to be allocated to Middle Income Countries. This can be clearly seen in the list of the top ten recipients (Figure 16).

Figure 16. OOF Commitments across Regions

USD Million (2008 Constant)

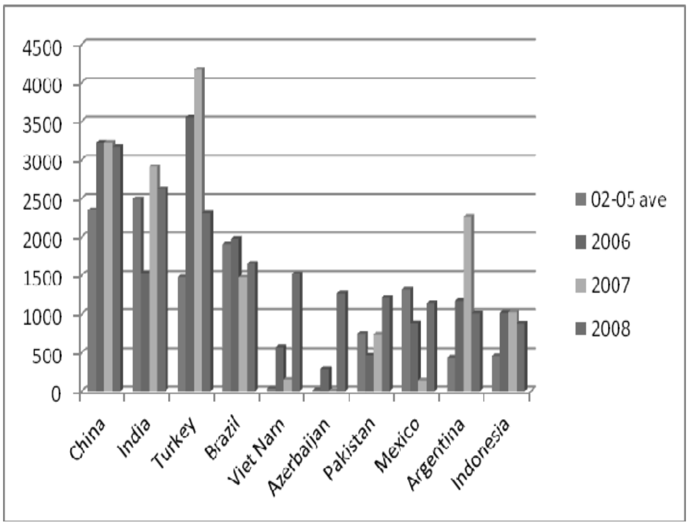


Source : OECD / CRS

37. The main recipients of OOF are predominantly Middle-Income Countries. China is the largest recipient (USD 3.6 billion) followed by India (USD 2.6 billion) and Turkey (USD 2.3 billion). The top 10 obtained 67% of the total flows. India, Pakistan and Viet Nam are the only Low Income Recipients in the Top 10. China, Azerbaijan, Brazil and Indonesia are Lower Middle Income Countries while Argentina, Mexico and Turkey are Upper Middle Income Countries. In keeping with the overall decline in OOF in 2008, flows to the top 3 recipients China, India, Turkey as well as Argentina and Indonesia decreased. However, there were significant increases in flows to Viet Nam, Azerbaijan, Pakistan and Mexico.

Figure 17. Top Recipients of OOF in 2008

USD Million (2008 Constant)



Source : OECD / CRS

Box 1. Inputed Multilateral ODA

The OECD’s calculation

1) The percentage of each multilateral agency’s total annual gross disbursements that each recipient country receives is calculated. This calculation is carried out only in respect of agencies’ disbursements of grants or concessional (ODA) loans from core resources.

2) The recipient percentages derived in step 1) are multiplied by a donor's contribution in the same year to the core resources of the agency concerned to arrive at the imputed flow from that donor to each recipient. (Example: In a given year, WFP provides 10% of its disbursements from core resources to Sudan. Donor A contributes USD 50 million to WFP core resources in the same year. Donor A’s imputed multilateral ODA to Sudan through WFP is 0.1*50million = USD 5 million). This calculation is repeated for each multilateral agency.

3) The results from step 2) for all agencies are summed to obtain the total imputed multilateral aid from each donor to each recipient country.

In practice, imputed multilateral percentages are calculated for about 20 agencies per year. These account for about 90% of donors’ multilateral ODA. Core contributions to the remaining agencies, for which the OECD does not have outflow data, are NOT imputed back to donors, so that imputed multilateral ODA remains slightly lower than donors’ total contributions to multilaterals. Total imputed multilateral flows are not published on their own; they are shown in combination with bilateral ODA, in order to provide the most complete picture possible of the total ODA effort the donor makes in respect of individual recipient countries.

At present, there is no regular imputation of multilateral ODA flows by sector or other aid parameters, though this has been done occasionally in the context of sectoral studies (*e.g.* on aid to the water sector, to basic social services, or in support of HIV/AIDS control).

Imputed Multilateral AFT ODA - USD million 2008 constant -

	2002-05 ave.	2006	2007	2008
Australia	44.7	178.2	75.7	92.1
Austria	91.8	102.6	154.8	162.8
Belgium	154.1	133.6	343.0	172.7
Canada	117.9	107.3	153.0	185.4
Denmark	115.0	116.8	125.8	152.6
Finland	72.1	89.3	89.3	89.2
France	835.1	846.5	1849.3	727.5
Germany	940.7	935.6	1226.4	1429.4
Greece	41.2	40.3	82.5	74.0
Ireland	30.3	37.2	108.3	67.1
Italy	607.4	837.3	466.9	512.9
Japan	295.3	412.9	1367.4	184.8
Korea	49.4	17.7	48.4	49.2
Luxembourg	13.2	16.5	19.3	19.5
Netherlands	15.8	46.9	257.0	505.7
New Zealand	4.7	4.4	5.0	5.1
Norway	104.3	87.5	86.5	73.0
Portugal	48.7	40.1	65.3	60.8
Spain	252.4	309.6	442.9	425.9
Sweden	114.7	249.9	244.7	229.7
Switzerland	119.4	83.8	247.4	34.2
United Kingdom	544.1	565.2	1051.4	1037.5
United States	561.0	464.7	459.7	576.6
Grand Total	**5173.3**	**5723.8**	**8969.6**	**6867.6**

Germany and the United Kingdom have the highest amounts of inputed Aid for trade in 2008, followed by France, US, Italy and the Netherlands. Overall the amount of inputed multilateral aid for trade fell over USD 2 billion to USD 6.8 billion in 2008.

6. Conclusions

38. The Aid-for-Trade Initiative has succeeded in part. It has mobilised more aid for trade. The 62% increase on the baseline took place in a relatively positive period for ODA flows. Yet the growth in aid for trade in 2008 was larger than the increase in sector allocable ODA raising the question of additionality of these flows. We are now entering a period of uncertainty when a growing envelope can no longer be assumed. While ODA flows in 2009 were stable, the outlook for 2010 and 2011 is less promising. The aim of the Initiative now should be stabilising flows, rather than generating new and further commitments. The economic crisis and decline in trade that followed risks undermining support for trade reform and liberalisation in the developing world. The awareness raising that the Initiative has promoted must continue.

39. The developments in 2008 only increase the need to demonstrate that aid for trade works and this will be the theme of the next *Aid for Trade at a Glance Report*. The OECD in collaboration with the WTO and other international agencies is developing work on how to improve performance assessment of aid for trade; both in terms of improving evaluation practice and establishing benchmarks and indicators against which to measure progress. More analytical work on binding constraints and designing effective aid-for-trade interventions is also needed. It is hoped that by 2011 the OECD as well as others will be in a position to present a range of studies and evidence on what has worked, what has not and why.

40. The positive picture presented in this paper must also be balanced against the issues it raises. Firstly there is question over whether all Economic Infrastructure and Productive Capacity should be counted as aid for trade. Many examples of costly projects (especially in Economic Infrastructure) highlighted in this paper might not be considered trade-related, *e.g.* urban transport projects in Istanbul and Bangkok. The broad definition is not an issue the aid-for-trade community wants to revisit but the aggregate numbers should not be interpreted solely as being caused by the success of the Aid-for-Trade Initiative. Above all this shows the limits of measuring aid for trade at the global level. To really understand what is happening, a local perspective is needed. The Task Force defined aid for trade as whatever a partner country considers trade-related. To capture this, the Aid-for-Trade Initiative has to go to the local level.

41. A second issue is an accounting question, about the balance between loans and grants. The large growth in the 2008 flows is partially explained by increasing loans to Economic Infrastructure.

42. A third issue is predictability of ODA financing. Commitments show particular variance from year to year giving an impression that funding is not predictable creating difficulty for partner countries in their development planning. This is partially a product of the nature of aid for trade which can be for one-off, costly infrastructure programmes. Disbursements show less volatility, possibly undermining the seriousness of the predictability issue.

43. The fourth issue is the future of aid-for-trade flows – the large growth from 2006 to 2008 of aid for trade has raised expectations – but this does not mean that failure to grow in the years to come can just be interpreted as failure. Given that overall ODA is not projected to grow, maintaining the current level of aid-for-trade flows will be important.

44. A final issue is that the flows are not everything – while the Initiative is partly about more resources – the focus should be on improving the quality of aid, responding to partner country plans and priorities, and advocating and building evidence to support trade as a development tool.

ANNEX 1

GLOBAL FLOWS

Projects and programmes are part of aid for trade if these activities have been identified as trade-related development priorities in the partner country's national development strategies. The WTO Task Force concluded that aid for trade comprises the following categories: *i)* technical assistance for trade policy and regulations: for example, helping countries to develop trade strategies, negotiate trade agreements, and implement their outcomes; *ii)* trade-related infrastructure: for example, building roads, ports, and telecommunications networks to connect domestic markets to the global economy; *iii)* productive capacity building (including trade development): for example, supporting the private sector to exploit their comparative advantages and diversify their exports; *iv)* trade-related adjustment: helping developing countries with the costs associated with trade liberalisation, such as tariff reductions, preference erosion, or declining terms of trade; and, *v)* other trade-related needs: if identified as trade-related development priorities in partner countries' national development strategies.

The Creditor Reporting System (CRS) – a database covering around 90% of all ODA – was recognised as the best available data source for tracking global aid-for-trade flows. The CRS aid activity database was established in 1967 and collects information on official development assistance (ODA) and other official flows to developing countries. It is the internationally recognised source of data on aid activities (geographical and sectoral breakdowns) and is widely used by governments, organisations and researchers active in the field of development. For the OECD, the CRS serves as a tool for monitoring specific policy issues, including aid for trade. The policy and guidelines for CRS reporting are approved by DAC members as represented on the DAC Working Party on Statistics (WP-STAT). The OECD collects, collates and verifies the consistency of the data, and maintains the database.

The CRS enables the tracking of aid commitments and disbursements, and provides comparable data over time and across countries. The use of an existing database led to significant savings of time and resources to effectively track aid-for-trade flows. The use of the CRS entailed some loss of detailed information about trade-related technical assistance and trade development, formerly collected in the joint OECD/WTO trade-related technical assistance and capacity building database (TCB). However, several modifications have been made to the CRS to adapt it to aid-for-trade needs.

It should be kept in mind that the CRS does not provide data that match exactly all of the above aid-for-trade categories. In fact, the CRS provides proxies under five headings:

i) Technical assistance for trade policy and regulations. In the CRS, five purpose codes are used to cover trade policy and regulations activities, in contrast to the 20 TCB codes. These five sub-categories are: a) trade policy and administrative management; b) trade facilitation; c) regional trade agreements; d) multilateral trade negotiations; and e) trade education/training.

ii) Economic 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 communications, energy and transport. To know how accurate 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. So far, only two donors (the United States and the World Bank) are able to provide more refined data concerning the trade component of Economic Infrastructure projects.

iii) Productive capacity building (including trade development). Data on commitments of aid for productive capacity building exist under the CRS category "building productive capacity". Since the first monitoring exercise, the CRS allows components of a productive capacity building project (*i.e.* the trade development policy marker) to be marked as relevant to trade development. It identifies trade development activities within the broader aid-for-trade category of building productive capacity (*i.e.* activities marked as contributing principally or significantly to trade development). This new category compensates the loss of precision of using the CRS instead of the TCB. Two caveats should be kept in mind when assessing the data: a) some donors have not used the trade development policy marker, reflecting the fact that this marker is used on a voluntary basis; b) the amounts presented under this category cannot be added to the global flows; they are part and parcel of the total flows on productive capacity building. In 2008, twelve members reported on the marker. The number of trade development activities is much smaller in the CRS than in members' TCB reporting for 2006 (over 3,800 activities were reported by 22 DAC members). In volume terms, the TCB total for 2006 was lower at USD 2.1 billion though it should be recalled that only the "trade share" amount was recorded in the TCB and not the total value of the activity. The fact that CRS amounts for Belgium, New Zealand, Switzerland and the United Kingdom are about the same as, or lower than their TCB levels could therefore be an indication of incomplete reporting. For the other eight users, the CRS figure is around two to three times higher than in the TCB.

iv) Trade-related adjustment. A new sub-heading has been introduced in the CRS to track flows corresponding to trade-related adjustment as of the 2008 data collection of 2007 activities. This category identifies contributions to developing country budgets to assist the implementation of trade reforms and adjustments to trade policy measures by other countries, and alleviate shortfalls in balance-of-payments due to changes in the world trading environment. Only two members reported activities in this category in 2007, Canada (USD 0.3 million) and the EC (USD 17.4 million).

v) Other trade-related needs. The CRS covers all ODA, but only those activities reported under the above four categories will be identified as aid for trade. Data on 'other trade-related needs' cannot be gleaned from the CRS. 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. Consequently, accurately monitoring aid for trade would require comparison of the CRS data with donor and partner countries self-assessments of their aid for trade.

ANNEX 2

CODE	CATEGORY	SUB-CATEGORY
Trade Policy and Regulation		
331	Trade policy and regulations	Trade policy and planning; Trade facilitation; Regional trade agreements; Multilateral trade negotiations; Trade education/training
Economic Infrastructure		
210	Transport and storage	Transport policy and administrative management; Road transport; Rail transport; Water transport; Air transport; Storage; Education and training in transport and storage
220	Communications	Communications policy and administrative management; Telecommunications; Radio/television/print media; Information and communication technology (ICT)
230	Energy generation and supply	Energy policy and administrative management; Power generation/non-renewable sources; Electrical transmission/distribution; Gas distribution; Oil-fired power plants; Gas-fired power plants; Coal-fired power plants; Nuclear power plants; Hydro-electric power plants; Geothermal energy; Solar energy; Wind power; Ocean power; Biomass; Energy education/training; Energy research
Building Productive Capacity		
240	Banking and financial services	Financial policy and administrative management; Monetary institutions; Formal sector financial intermediaries; Informal/semi-formal financial Intermediaries; Education/training in banking and financial services
250	Business and other services	Business support services and institutions; Privatisation
311	Agriculture	Agricultural policy and administrative management; Agricultural development; Agricultural land resources; Agricultural water resources; Agricultural inputs; Food crop production; Industrial crops/export crops; Livestock; Agrarian reform; Agricultural alternative development; Agricultural extension; Agricultural education/training; Agricultural research; Agricultural services; Plant and post-harvest protection and pest control; Agricultural financial services; Agricultural co-operatives; Livestock/veterinary services
312	Forestry	Forestry policy and administrative management; Forestry development; Fuelwood/charcoal; Forestry education/training; Forestry research; Forestry services
313	Fishing	Fishing policy and administrative management; Fishery development; Fishery education/training; Fishery research; Fishery services
321	Industry	Industrial policy and administrative management; Industrial development; Small and medium-sized enterprises (SMEs) development; Cottage industries and handicraft; Agro-industries; Forest industries; Textiles, leather and substitutes; Chemicals; Fertilizer plants; Cement/lime/plaster; Energy manufacturing; Pharmaceutical production; Basic metal industries; Non-ferrous metal industries; Engineering; Transport equipment industry; Technological research and development
332	Tourism	Tourism policy and administrative management
Trade-Related Adjustment		
33150	Trade-related adjustment	Contributions to the government budget to assist the implementation of recipients' own trade reforms and adjustments to trade policy measures by other countries; Assistance to manage shortfalls in the balance of payments due to changes in the world trading environment

ANNEX 3
TOTAL AID FOR TRADE BY RECIPIENT

USD million (constant)

	Commitments				Disbursements		
	02-05 ave.	2006	2007	2008	2006	2007	2008
Afghanistan	761.0	1 271.7	1 486.3	1 701.0	818.4	991.7	1 185.6
Albania	138.0	238.5	32.2	144.6	103.5	82.3	108.9
Algeria	111.5	243.0	182.4	36.8	149.8	123.9	120.1
Angola	23.4	36.3	145.1	77.9	26.1	27.5	44.3
Anguilla	1.6	12.5	5.8	..	5.3	..	3.5
Antigua and Barbuda	2.4	0.1	0.2	0.5	2.2	0.2	0.5
Argentina	48.2	30.4	34.1	15.9	31.2	45.2	25.7
Armenia	111.7	287.2	137.3	207.8	63.0	86.8	155.2
Azerbaijan	144.2	83.2	140.7	86.6	76.6	88.0	96.3
Bangladesh	859.3	591.5	1 012.2	1 239.9	252.7	570.6	712.8
Barbados	0.4	4.0	16.5	15.3	0.0	0.0	0.6
Belarus	0.6	2.3	14.2	9.4	2.3	4.2	6.9
Belize	9.7	13.8	3.4	13.3	3.4	4.9	10.8
Benin	149.5	326.5	100.9	182.1	77.2	111.2	186.5
Bhutan	43.7	16.5	84.7	26.5	34.1	28.2	20.0
Bolivia	258.5	130.0	298.1	82.6	153.9	137.5	146.0
Bosnia-Herzegovina	120.1	216.8	176.5	147.1	78.4	109.2	132.9
Botswana	16.6	2.2	10.2	4.9	11.6	14.9	10.7
Brazil	53.7	46.5	111.8	57.4	45.2	126.6	69.8
Burkina Faso	248.9	178.0	179.4	261.3	201.4	290.0	224.1
Burundi	53.1	109.2	99.5	94.5	61.8	104.9	81.8
Cambodia	194.8	202.7	186.2	281.9	114.4	141.7	145.2
Cameroon	126.3	338.8	321.5	260.7	129.8	161.6	134.1
Cape Verde	83.2	28.3	85.8	171.4	47.9	58.1	97.6
Central African Rep.	36.6	130.9	48.7	6.6	60.7	30.4	18.9
Chad	102.8	2.4	69.0	26.5	57.4	34.1	69.8
Chile	40.7	6.8	20.1	79.1	38.4	80.0	16.1
China	801.8	618.3	391.3	762.2	750.5	855.6	874.2
Colombia	81.9	130.9	137.4	189.6	96.3	122.6	164.4
Comoros	4.7	9.7	7.7	1.9	3.6	5.4	2.8
Congo, Dem. Rep.	525.3	165.6	493.5	283.0	197.0	169.3	261.3
Congo, Rep.	41.4	25.3	67.7	25.7	13.8	42.7	37.4
Cook Islands	1.3	0.1	0.0	1.2	1.0	1.3	1.2
Costa Rica	54.8	11.1	27.6	32.0	27.3	53.0	52.4
Cote d'Ivoire	61.6	22.1	44.6	269.6	20.8	29.0	258.5
Croatia	67.9	80.8	95.7	187.8	28.1	33.0	60.0

	02-05 ave.	2006	2007	2008	2006	2007	2008
Cuba	9.5	8.7	9.2	17.5	11.5	5.4	12.3
Djibouti	23.9	0.8	5.6	12.0	3.4	9.5	12.6
Dominica	14.9	6.1	7.6	6.8	6.7	11.2	11.7
Dominican Republic	45.7	35.8	35.4	34.0	40.1	43.4	84.5
Ecuador	51.8	19.9	94.5	68.9	27.1	40.7	59.2
Egypt	573.9	771.6	579.4	1 013.7	511.6	434.6	695.8
El Salvador	30.8	26.6	391.7	160.0	41.7	43.8	76.7
Equatorial Guinea	1.0	0.0	0.8	0.2	0.0	0.8	0.6
Eritrea	52.2	20.5	72.0	20.2	23.7	15.2	18.4
Ethiopia	617.5	751.6	941.2	760.8	526.2	514.3	576.6
Fiji	7.6	11.3	5.4	18.1	10.9	7.8	7.3
Gabon	43.6	77.4	16.8	68.1	19.2	36.6	20.5
Gambia	28.7	17.2	10.2	7.9	12.4	15.4	16.1
Georgia	102.6	368.5	94.2	250.9	114.1	130.0	222.0
Ghana	324.3	357.0	789.5	654.0	343.0	314.5	375.2
Grenada	8.4	0.8	0.2	3.4	0.8	0.7	2.0
Guatemala	30.7	103.0	30.3	28.8	22.4	28.4	34.2
Guinea	69.3	64.4	152.6	12.0	30.5	41.9	63.9
Guinea-Bissau	27.7	23.8	19.9	5.1	33.2	44.7	29.8
Guyana	43.9	12.7	103.2	56.6	5.8	10.5	37.2
Haiti	88.9	89.5	71.8	140.0	36.1	63.2	83.7
Honduras	187.8	36.6	32.8	148.2	75.7	58.4	103.4
India	1 651.8	1 763.0	2 317.7	3 254.4	1 053.4	1 148.3	1 687.5
Indonesia	1 127.9	954.9	865.2	870.7	840.2	751.2	1 053.0
Iran	5.0	3.3	1.6	1.2	3.0	1.6	1.3
Iraq	2 088.9	2 195.4	1 186.0	2 836.5	2 912.5	1 636.0	754.1
Jamaica	36.1	19.6	54.1	36.6	26.2	43.5	76.9
Jordan	45.4	6.8	74.6	177.7	45.8	44.0	67.6
Kazakhstan	36.1	57.6	183.4	92.3	17.9	108.6	152.9
Kenya	330.4	529.3	960.2	92.9	216.8	352.4	324.8
Kiribati	7.4	1.3	15.3	5.2	10.7	13.3	6.3
Korea, Dem. Rep.	32.8	7.9	2.6	15.2	6.9	3.0	16.0
Kyrgyz Republic	53.0	77.7	102.7	69.5	64.3	53.6	50.7
Laos	161.7	124.9	146.5	111.0	121.0	137.2	119.2
Lebanon	27.5	32.6	172.1	61.9	22.1	71.2	59.7
Lesotho	18.8	23.1	71.5	5.9	15.6	18.0	21.4
Liberia	0.9	58.9	130.4	49.3	2.8	55.8	63.4
Libya	2.3	2.9	4.7	6.1	0.7	6.1	4.1
Macedonia, FYR	51.3	32.5	49.6	66.5	30.6	44.7	26.3
Madagascar	319.4	167.0	241.9	448.8	270.0	346.2	259.3
Malawi	136.8	120.4	177.0	90.3	92.0	120.1	118.1
Malaysia	12.5	8.9	31.7	89.2	57.5	247.1	118.7
Maldives	8.9	2.6	31.8	14.1	0.4	5.8	6.7
Mali	208.5	158.7	782.6	591.1	209.3	326.0	246.9
Marshall Islands	5.2	1.2	1.6	0.9	1.3	1.7	2.4
Mauritania	127.3	182.5	30.3	40.4	57.8	110.2	82.3
Mauritius	58.5	44.7	15.2	70.9	2.0	14.3	5.0
Mayotte	20.7	0.2	39.2	39.0	0.6	40.4	24.6
Mexico	26.8	22.0	62.3	66.7	23.9	26.4	32.7

	02-05 ave.	2006	2007	2008	2006	2007	2008
Micronesia, Fed. States	13.6	14.2	3.8	33.3	8.4	10.1	9.7
Moldova	67.7	49.8	46.9	70.9	33.1	46.1	50.3
Mongolia	59.4	143.2	72.6	533.1	51.3	64.1	91.0
Montenegro	0.0	15.2	45.6	26.0	21.7	22.6	20.8
Montserrat	8.3	20.8	12.0	5.5	8.0	2.2	4.8
Morocco	332.4	506.1	311.5	1 894.3	375.8	518.9	458.0
Mozambique	392.3	361.7	504.3	542.4	419.1	366.5	349.5
Myanmar	11.0	15.8	10.2	22.1	16.8	12.3	21.5
Namibia	34.9	116.1	32.5	95.7	23.4	33.7	36.3
Nauru	2.1	11.1	10.5	6.5	8.0	7.8	11.6
Nepal	173.6	201.0	269.6	230.9	97.6	125.0	177.9
Nicaragua	193.2	311.6	89.8	190.2	124.2	155.8	145.9
Niger	122.5	81.6	57.6	232.9	79.0	102.6	110.3
Nigeria	253.6	197.0	293.1	728.8	181.3	338.7	232.1
Niue	2.1	3.2	1.4	0.3	1.6	1.4	3.1
Oman	2.4	0.9	0.5	17.6	0.9	7.6	0.9
Pakistan	656.4	385.6	758.4	1 125.8	343.9	422.8	368.4
Palau	6.6	2.3	14.7	2.0	7.2	5.4	12.2
Palestinian Adm. Areas	65.7	43.1	60.3	165.0	83.9	67.0	58.5
Panama	9.9	6.4	22.3	8.1	6.2	9.2	9.0
Papua New Guinea	120.1	147.2	113.5	112.4	54.1	111.8	111.7
Paraguay	17.1	214.2	22.0	38.9	12.7	26.4	67.3
Peru	132.4	173.7	115.1	93.5	129.8	232.9	163.1
Philippines	341.3	79.0	238.4	296.7	347.9	710.2	477.4
Rwanda	102.4	130.9	105.0	170.9	75.6	95.1	147.8
Samoa	14.5	2.4	61.6	17.1	9.0	8.8	8.6
Sao Tome & Principe	8.4	9.1	6.8	3.8	6.1	6.5	7.8
Saudi Arabia (1)	1.6	1.9	1.5	..	2.2	1.5	..
Senegal	228.8	260.4	130.2	358.9	213.7	197.5	292.9
Serbia	464.5	275.3	293.3	333.8	282.2	249.2	228.2
Seychelles	3.4	4.1	0.7	12.4	6.8	1.4	2.2
Sierra Leone	100.5	22.0	105.7	123.7	43.2	43.9	72.4
Slovenia (1)	6.1	..	..	..	..	..	..
Solomon Islands	12.1	46.9	5.6	18.3	20.6	18.3	11.2
Somalia	4.7	10.2	9.7	26.2	7.6	3.0	9.3
South Africa	135.2	134.5	121.5	246.5	95.4	244.2	275.5
Sri Lanka	506.2	330.8	320.2	472.5	289.9	243.4	375.9
St. Helena	44.2	23.8	6.0	17.9	10.0	8.3	29.0
St. Kitts-Nevis	1.6	0.0	0.1	0.7	4.7	0.8	0.7
St. Lucia	9.8	9.1	9.4	7.6	3.8	6.6	12.9
St.Vincent & Grenadines	6.8	12.1	9.3	1.2	3.0	10.0	17.0
States Ex-Yugoslavia	56.7	1.4	2.3	3.0	4.4	4.3	6.1
Sudan	24.3	34.6	69.0	133.3	16.7	24.5	57.9
Suriname	24.8	6.7	23.9	26.5	4.9	28.9	40.2
Swaziland	18.9	9.0	25.1	36.1	16.2	9.8	11.4
Syria	18.1	26.9	53.3	12.4	23.4	14.0	16.2
Tajikistan	94.1	79.4	129.5	146.8	45.1	46.8	47.9
Tanzania	443.9	441.5	596.2	1 353.3	414.9	449.3	493.7
Thailand	358.7	45.0	52.9	640.5	291.8	141.9	112.2

	02-05 ave.	2006	2007	2008	2006	2007	2008
Timor-Leste	32.9	24.7	33.2	43.0	21.8	17.8	34.8
Togo	6.0	3.4	5.5	120.7	9.5	2.9	122.6
Tokelau	1.3	0.6	1.5	0.9	0.9	4.4	1.0
Tonga	2.6	3.1	11.8	24.6	4.3	10.7	3.8
Trinidad and Tobago	16.6	1.7	12.5	14.9	2.2	4.0	0.5
Tunisia	225.6	180.9	215.7	602.4	176.5	160.0	233.6
Turkey	464.7	289.3	229.6	2 421.2	321.7	289.6	1 115.1
Turkmenistan	2.6	0.9	0.8	3.6	1.4	0.7	3.6
Turks and Caicos Islands (1)	0.1	..	..	..	0.0	0.0	..
Tuvalu	4.1	0.9	9.6	5.5	8.1	3.1	4.4
Uganda	289.6	197.3	756.5	314.5	253.9	441.3	471.6
Ukraine	84.7	216.3	242.9	293.2	170.1	124.5	209.5
Uruguay	6.4	2.8	5.3	4.8	6.6	10.1	4.3
Uzbekistan	147.3	36.3	45.5	82.2	50.6	25.9	75.6
Vanuatu	6.8	66.3	28.3	26.2	5.8	16.0	45.5
Venezuela	2.5	2.5	1.4	1.1	3.1	2.1	1.9
Viet Nam	1 601.2	1 411.7	2 118.3	2 033.1	903.2	1 234.5	1 220.1
Wallis & Futuna	7.9	..	3.1	2.3	..	3.1	2.3
West Indies Unallocated	10.5	90.1	6.9	5.7	13.3	30.6	8.3
Yemen	56.4	82.2	91.4	73.7	56.8	50.2	67.0
Zambia	228.4	303.9	191.1	220.7	173.7	112.0	175.7
Zimbabwe	10.7	5.2	34.9	10.0	7.7	19.3	9.7
Overall Total	**23 285.4**	**22 956.5**	**26 775.8**	**36 615.9**	**18 305.0**	**20 185.0**	**22 542.1**

Source: OECD DAC Creditor Reporting System.

(1) Saudi Arabia and the Turks and Caicos Islands graduated from DAC List of ODA recipients in 2008. Slovenia was excluded from the List in 2005.