

AID FOR TRADE – Q&A

OVERVIEW

Why monitor aid for trade at the global level?

The WTO Task Force on Aid for Trade recommended monitoring progress in implementation of the initiative at two levels:

1. At the **local level**: to foster genuine local ownership and ensure that trade needs are integrated into national development strategies and adequately addressed.
2. At the **global level**: to promote open and transparent dialogue on what works and what doesn't, based on experience and careful scrutiny of aid-for-trade policies designed according to principles in the [Paris Declaration on Aid Effectiveness](#).

Why is the OECD involved and which specific issues does it address?

At the OECD, the [Development Assistance Committee](#) (DAC) and the [Working Party of the Trade Committee](#) work together to help tackle the challenge of how to make poorer countries benefit further from trade. In particular, their work covers the following three issues:

1. How much aid do donors provide in support for trade?
2. How effective are these programmes?
3. How can aid for trade help developing countries, particularly the least developed countries (LDCs) – to reap the full benefits of trade opportunities and WTO agreements?

Sound evidence including statistical evidence forms the backbone of this work.

How do partner countries access aid-for-trade?

Although aid for trade is globally recognised, there is no aid-for-trade fund and neither the WTO nor the OECD is involved with disbursement of aid for trade. Monitoring aid for trade at the global level tries to capture what are in fact thousands of interactions between donors and partner countries at the country level. Partners prioritise trade and articulate needs and then discuss with donors how to finance projects and programmes to achieve their development objectives.

MONITORING CONCEPTS

What is official development assistance (ODA)?

According to the official OECD DAC Glossary of Key Terms and Concepts,¹

ODA is composed of [grants](#) or [loans](#) to countries and territories on the [DAC List of ODA Recipients](#) (developing countries) and to [multilateral agencies](#) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (if a loan, having a [grant element](#) of at least 25%). In addition to financial flows, [technical co-operation](#) is included in aid. Grants, loans and credits for military purposes are excluded. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.

The concept of ODA was first defined by the OECD DAC in 1969, and tightened in 1972. It has since become the international reference statistic for aid activities.

What is the difference between pledges, commitments and disbursements?

The OECD DAC Glossary of Key Terms and Concepts gives the following definitions:

A **pledge** is usually a political announcement of intent on behalf of a donor to contribute a certain amount to a certain area, e.g. Japan, the European Union and the United States made pledges at the WTO's Hong Kong Ministerial Conference in December 2005 to increase support for aid for trade.

A **commitment** is a firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of disbursements. Commitments to multilateral organisations are reported as the sum of (i) any disbursements in the year reported on which have not previously been notified as commitments and (ii) expected disbursements in the following year.

A **disbursement** is the release of funds to or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training, administration or public awareness programmes, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded gross (the total amount disbursed over a given accounting period) or net (the gross amount less any repayments of loan principal or recoveries on grants received during the same period). It can take several years to disburse a commitment.

1. To view the complete DAC Glossary of Key Terms and Concepts please visit : www.oecd.org/dac/glossary

Why are loans counted as aid for trade?

Aid for trade is ODA: it represents flows from the official sector and is not charity. Loans are essential in financing a range of trade-related needs – are concessional in nature, with a grant element of at least 25%. They also ensure ownership by the partner country, and responsibility for the successful completion of the project. They make particular sense in large infrastructure projects with multi-year disbursements. Plus, their terms make them less costly than loans from the private sector.

How much aid for trade is in the form of loans?

Overall, loans made up 50% of aid-for-trade flows in 2008. Globally, the proportion of loans has increased as aid for trade has been scaled up. A significant proportion of aid for trade going to economic infrastructure is in the form of concessional loans with an increase from 53% in 2006 to 61% in 2008. Aid for trade going to building productive capacity has seen less of a change, 35% to 39%.

OVERVIEW OF OECD DATA

Where does the OECD aid-for-trade data come from?

OECD aid-for-trade statistics come from the Creditor Reporting System (CRS). Established in 1967 by the OECD DAC, this database collects information on activities related to ODA and [other official flows](#) (OOF) going to developing countries.

The CRS is based on reporting directives approved by the OECD DAC. CRS data is based on reporting from the member countries of the OECD DAC, multilateral institutions and a number of non-DAC donors. The OECD DAC collects, collates, and verifies the consistency of the data, and maintains the database.

The CRS does not measure South-South partnerships. However, steps have been taken to capture certain elements of South-South flows through self-assessments.

The CRS has become the internationally recognised source of data on the geographical and sectoral distribution of aid – 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.

Why use the CRS to collect aid-for-trade data?

The CRS database covers around 90% of all ODA, enables the tracking of aid [commitments](#) and [disbursements](#), and provides comparable data over time and across countries. It was recognised as the best available data source for tracking global aid-for-trade flows in that it was already firmly established and in use, saving time and resources. However, it entailed some loss of detailed information about trade-related technical assistance and trade development activities, collected by the more specialised [joint OECD-WTO Trade Capacity Building Database](#) (TCBD) up to 2007 (reporting to this database was discontinued in 2007). Several modifications have been made to the CRS to adapt it to aid-for-trade (e.g. the new CRS category “trade-related adjustment” and the “trade development marker”, introduced in 2008 covering 2007 flows).

SPECIFIC QUESTIONS ON OECD DATA

Why are OECD figures quoted in constant USD? What is the difference between current and constant?

In publications and official documents issued by the OECD DAC, aid flow data is expressed in United States dollars (USD). While data expressed in current USD provides an accurate snapshot of aid flows, it cannot truly reflect changes over time. For a true reflection of aid flow volume over time, data is thus presented in constant prices – defined against a specific reference year – so as to take account of inflation and exchange rate variations. This means that data is adjusted for (i) inflation in the donor's currency between the year in question and the reference year, and (ii) changes in the exchange rate between that currency and the United States dollar over the same period.

Why does the data quoted in the Aid for Trade at a Glance reports and the CRS not match with partner country government figures?

Several factors can account for this discrepancy:

- 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.
- The CRS provides the monetary value of in-kind aid such as some forms of technical co-operation, whereas partner countries will only see the services rendered.
- Government systems will provide information on budgets, while CRS reports are based on annual disbursements.
- 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.

FURTHER INFORMATION

The Aid for Trade Statistical Queries page offers easy access to aid-for-trade statistics (through the online interface called the [Query Wizard for International Development Statistics](#), or QWIDS). Users can extract and download the latest aid-for-trade statistics from 2002 onwards (i.e. volume, origin, and aid categories for over 150 developing countries and territories, including project-level information).