

Unclassified

COM/DCD/TAD(2007)1

Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

09-Mar-2007

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE
TRADE DIRECTORATE

COM/DCD/TAD(2007)1
Unclassified

GLOBAL MONITORING OF AID FOR TRADE FLOWS

Joint Meeting of the Development Assistance Committee and Working Party of the Trade Committee

21 March 2007, Salle Roger Ockrent, Château de la Muette, Paris

This document is provided for COMMENT to the 21 March joint meeting of the DAC and the TC/WP under item 3 of the agenda [COM/DCD/TAD/A(2007)1/PROV/REV1].

The document argues that the DAC's Creditor Reporting System is well placed to provide a global monitoring of Aid for Trade flows. Furthermore, by building on an existing system, countries can save the time and cost of setting up parallel processes and benefit from the availability of comprehensive data on overall aid commitments and expenditures. On that basis, the note sets out the implications of using the CRS to monitor Aid for Trade flows at the global level. The note will also be submitted to the WTO Committee on Trade and Development on 2 April 2007.

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JT03223388

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GLOBAL MONITORING OF AID FOR TRADE FLOWS

Executive Summary

The WTO Task Force on Aid for Trade recognises that the OECD Development Assistance Committee's (DAC) existing data collection and reporting system (the Creditor Reporting System or CRS) is well placed to provide a global monitoring of Aid for Trade flows.

In his report to the December 2006 WTO General Council, the Director General highlighted that accurate accounting of the categories that have been identified as Aid for Trade can best be achieved through the OECD/DAC Creditor Reporting System (CRS). This conclusion is fully shared by the DAC Secretariat.

The arguments for building on the existing CRS is that countries can save the time and cost of setting up parallel processes. Furthermore, they can benefit from the availability of comprehensive data on overall aid commitments and expenditures. In addition, only minor changes will need to be made to CRS classifications in order to meet the requirement of Aid for Trade monitoring.

Using the CRS will not affect the joint arrangements between the OECD and WTO. The DAC Secretariat will collect and process the data. As now, these data will also be accessible via the WTO website.

GLOBAL MONITORING OF AID FOR TRADE FLOWS

1 Introduction

1. This note sets out the implications of using the DAC Creditor Reporting System [CRS] to monitor aid for trade at a global level. It is structured as follows:

- Section 2 highlights the definition of the scope of Aid for Trade.
- Section 3 recalls the coverage of the joint WTO/OECD trade capacity building data base.
- Section 4 provides details about the DAC CRS.
- Section 5 shows the implications of using the DAC CRS database to monitor Aid for Trade flows at a global level.
- Section 6 describes next steps.

2 Definition

2. The WTO Task Force on Aid for Trade has defined the scope of Aid for Trade as “projects and programmes that have been identified as trade-related development priorities in the recipient country’s national development strategies”.¹ At the same time, the Task Force concluded that clear and agreed benchmarks are necessary for reliable global monitoring of Aid for Trade efforts to assure accurate accounting and to assess additionality.

3. The following categories have been identified by the WTO Task Force on Aid for Trade. They were noted by the WTO General Council in October 2006:

- Trade policy and regulations*, including: training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards.
- Trade development*, including: investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development.
- Trade-related infrastructure*, including physical infrastructure.
- Building productive capacity*.
- Trade-related adjustment*, including supporting developing countries to put in place accompanying measures that assist them to benefit from liberalised trade.
- Other trade-related needs*.

¹. WT/AFT/1

4. The Task Force suggested that reporting on categories (a) and (b) should follow the definitions in the Joint WTO/OECD Database. The activities that fall outside of the current Joint WTO/OECD Trade Capacity Building Database definition [TCBDB], *i.e.* category (c), (d), (e) and (f) should be reported as Aid for Trade when these activities have been **explicitly** identified as trade-related priorities in the recipient country's national development strategies, such as the PRSP.

3 Monitoring trade capacity building flows: the joint WTO/OECD TCB database

5. At the 2001 Doha Ministerial Conference, Members recognised the need for more comprehensive data to track and monitor trade related technical assistance and capacity building commitments which are part of the Doha Development Agenda. In response, the WTO and OECD created jointly the trade capacity building database in 2002. Annually, 26 bilateral donors and 19 multilateral agencies provide data on support to activities under two main headings, *e.g.* (a) trade policy and regulations and (b) trade development.

6. *Trade policy and regulations* covers support to recipients' effective participation in multilateral trade negotiations, analysis and implementation of multilateral trade agreements, trade policy mainstreaming and technical standards, trade facilitation including tariff structures and customs regimes, support to regional trade arrangements and human resources development in trade. Trade policy and regulations is reported under 20 different categories; for a complete list see Annex 1.

7. *Trade development* covers business development and activities aimed at improving the business climate, access to trade finance, and trade promotion in the productive sectors (agriculture, forestry, fishing, industry, mining, tourism, services), including at the institutional and enterprise level. Trade development is reported under 10 different categories; for a complete list see Annex 1

8. For the Trade-Related Capacity Building Data Base (TRCB/DB), Members were asked to isolate the trade development component of the support that was more generally aimed at building the productive capacity of an economic sector such as agriculture. Some did, whereas others reported the whole activity notifying it as trade-related. Although some work to harmonise donors' approaches has been done, total amounts of aid for trade development should continue to be interpreted with caution.

9. Furthermore, it should be recalled that, even after the creation of the joint TCBDB, support to these two categories continues to be included in the CRS database which covers all aid activities. The CRS has a heading for trade policy and regulation, while trade development is part of productive capacity building. Thus, with the creation of the TCBDB, donors reported support to these two categories both to the TCBDB in disaggregated form, and to the CRS in aggregated form.

4 The OECD-DAC Creditor Reporting System

10. The OECD-DAC Creditor Reporting System (CRS) is a database on Official Development Assistance (ODA) and other lending to developing countries. The CRS was established in 1967 and has become the internationally recognised source of data on the geographical and sectoral breakdown of aid. It is widely used by governments, organisations and researchers as a tool to monitor specific policy issues.

11. The CRS provides data on the amounts committed to new aid activities (*e.g.* projects and programmes) as well as the subsequent disbursements (expenditure) that flow from those commitments. It covers all principal donors, with an estimated coverage of 90% of total aid flows. This includes all DAC members, multilateral development banks and some UN agencies. An increasing number of non-DAC donors are reporting aggregate data on their aid programmes to the DAC, but not in the detail used in the CRS.

12. The CRS covers all low and middle income countries, except Russia and those which are EU members. These are listed in the DAC List of Aid Recipients [www.oecd.org/dac/stats/daclist]. It includes regional programmes within the appropriate regional code; *e.g.* sub-Saharan Africa.

5 Monitoring Aid for Trade flows

13. In his report to the December 2006 WTO General Council, the Director General highlighted that accurate accounting of the categories that have been identified as Aid for Trade can best be achieved through the OECD-DAC Creditor Reporting System (CRS). This conclusion is fully shared by the DAC Secretariat.

14. With the expansion of the scope of Aid for Trade this database offers the benefit of an existing data collection and a reporting system that can meet the need for enhanced monitoring as recommended by the WTO Task Force. Using CRS data will permit showing trends for both commitments and disbursements, and thus will contribute to analysing the additionality of Aid for Trade pledges in Hong Kong and since, as well as placing them in the context of total aid flows. In addition, it will be possible to show trends in the various categories of Aid for Trade going back to 2002.

15. Using the CRS database to monitor aid for trade flows at the global level implies the following.

(a) Trade policy and regulation

16. Trade policy and regulation data will be extracted from the CRS database where it is reported under the following five different categories:²

Category	CRS Code
Trade policy and administrative management	33110
Trade facilitation	33120
Regional trade agreements	33130
Multilateral trade negotiations	33140
Trade education/training	33181

17. If users so wish, this section could be expanded with specific reporting on support to sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT), which are currently included in 33110.

(b) Trade development

18. *Trade development* is not identifiable as a separate category in the CRS database. Generally, activities related to trade development have another major objective (*e.g.* agricultural or industrial development). For example, while coffee export development is clearly “trade-related”, its primary objective is to foster the development of the agricultural sector. In those cases aid is reported to the CRS

² The full CRS purpose codes list is available at: <http://www.oecd.org/dataoecd/40/23/34384375.doc>

database under the heading of the final objective. Consequently aid for trade development reportedly is inseparable from developing productive capacities.

(c) Trade-related infrastructure

19. The TCBDB already uses the CRS data for measuring the contribution of infrastructure to trade. It is now accepted that it is not practical to try to identify which infrastructure activities are ‘trade-related’ and which are not; essentially infrastructure forms a network of benefit to all economic and household activities.

20. Trade-related infrastructure is captured in the CRS under:

Category	CRS codes
Transport and storage	21010 to 21081
Communications	22010 to 22040
Energy supply and generation	23010 to 23082

21. Agricultural water resource (*e.g.* irrigation, reservoirs, etc.) is included with agriculture under CRS code 31140. Hydro electric power is captured with energy in economic infrastructure under code 23065. The CRS classifies water and sanitation under the heading ‘social infrastructure’ given its importance for health. All the above categories, excluding water and sanitation, will be included in the measuring of Aid for Trade.

(d) Building production capacity

22. Building productive capacity is captured under the following categories in the CRS database:

Category	CRS codes
Banking and financial services	24010 to 24081
Business and other services	25010 and 25020
Agriculture	31110 to 31195
Forestry	31210 to 31291
Fishing	31310 to 31391
Industry	32110 to 32182
Mining	32210 to 32268
Construction	32310
Tourism	32210

23. As noted above, support to these categories will include support for trade development, although it will not be possible to present support to trade development as separate amounts. Thus all aid in these categories will be counted in the measuring of Aid for Trade.

(e) Trade related adjustment

24. Trade related structural adjustment is captured in the CRS database under the heading general budget support (CRS code 51010). These are unmarked contributions to the government budget; support for the implementation of macro-economic reforms (structural adjustment programmes, poverty reduction strategies); transfer for the stabilisation of the balance of payments; general programme assistance (when not allocable by sector). Thus, all budget support is counted in the Aid for Trade measurement.

(f) Other trade related needs

25. There is no category in the CRS to report "other trade related needs". International comparable datasets are not suitable to record this kind of information. However, members with detailed Aid for Trade programmes extending beyond the categories defined above might want to report what else they are doing. This will be done through national self-assessments of delivery on Aid for Trade commitments based on national data and without any attempt to reconcile the differences with the international series.

6 Next steps

26. The implications of monitoring Aid for Trade through the CRS will be presented for information to the 2 April 2007 meeting of the WTO Committee on Trade and Development, after which the transition of the TCBDB to the CRS will be made. With some limited additional funding - as already is the case for the TCBDB - the DAC Secretariat can handle this function. The additional funding would go to improving timeliness and agency/donor coverage as noted above.

27. The technical arrangements would be as for the TCBDB. The DAC Secretariat would collect and process the data and supply them to WTO to include in the database hosted on the WTO website. To improve the coverage of Aid for Trade data, non-DAC countries within the WTO that have Aid for Trade programmes are urged to report to the CRS so as to secure full coverage in one system. The same applies for multilateral agencies not yet reporting to the CRS.

ANNEX 1

TCBDB CODES

TRADE POLICY AND REGULATION

TCBDB Code	TCBDB Category	CRS Code	CRS Category
33111	Trade mainstreaming in PRSPs/ development plans	33110	Trade policy and administrative management
33112	Technical barriers to trade (TBT)		
33113	Sanitary and phytosanitary measures (SPS)		
33121	Trade facilitation measures	33120	Trade facilitation
33122	Customs valuation		
33123	Tariff reforms		
33130	Regional trade agreements (RTAs)	33130	Regional trade agreements (RTAs)
33141	Accession	33140	Multilateral trade negotiations
33142	Dispute settlement		
33143	Trade-related intellectual property rights (TRIPS)		
33144	Agriculture		
33145	Services		
33146	Tariff negotiations - non-agricultural market access		
33147	Rules		
33148	Training in trade negotiation techniques		
33151	Trade and environment		
33152	Trade and competition		
33153	Trade and investment		
33154	Transparency and government procurement		
33181	Trade education/training		

TRADE DEVELOPMENT

PRODUCTIVE CAPACITY BUILDING INCLUDING TRADE DEVELOPMENT

TCBDB Code	TCBDB Category	CRS Code	CRS Category
25011	Business support services and institutions	25010	Business support services and institutions
25012	Public-private sector networking		
25013	E-commerce		
240xx	Trade Finance	240xx	Banking and Financial Services
311xx	Agriculture	311xx	Agriculture
312xx	Forestry	312xx	Forestry
313xx	Fishing	313xx	Fishing
321xx	Industry	312xx	Industry
33210	Tourism policy and administrative management	33210	Tourism policy and administrative management
33300	Services	No code	Services
33400	Multisector/general	No code	Multisector/general

CRS Code	CRS Category
210xx	Transport and Storage
220xx	Communications
230xx	Energy Generation and Supply
51010	General budget support

} Infrastructure

→ Trade-Related Structural Adjustment