

Summary

Over recent years, the Aid for Trade (AfT) initiative has become increasingly important in both the aid and trade arenas, especially since the WTO Ministerial Meeting in Hong Kong in December 2005. In particular, after several years during which the social sectors were prioritised in aid portfolios, many donors are becoming increasingly aware of the importance of developing the productive capacity of economies to foster growth and development. Trade is a key part of this strategy. Donors are pledging support, while recipients are anticipating more support in the area of Aid for Trade. However, despite attempts to define and measure AfT, and the need to begin operationalising it, there remains significant ambiguity regarding what does and does not constitute AfT, particularly given the subjectivity in assigning aid flows to AfT categories, especially those agreed by the OECD.

The findings of this paper are important for donors' efforts to monitor AfT flows and for recipient countries' attempts to understand the parameters of AfT. The paper examines the AfT's origins and its potential scope, from trade-related technical assistance and capacity building (TRTA/CB) and trade-related assistance (TRA) to AfT as defined in the WTO Task Force recommendations. The danger of including 'virtually everything' and failing to draw a line between AfT and other types of development assistance is highlighted. Given the relatively high profile of the AfT initiative, and the fact that many donors have specified commitments to it, the issue of measuring AfT is not just a technical issue but a political one. Donors who pledge more AfT need to find ways of showing that they are honouring their pledges; they have an interest, therefore, in how the measurement system is designed. They may also wish to define AfT as widely as possible and this can lead to aid being inappropriately re-labelled as AfT and counted twice. Hence, it is important that subjectivity in interpreting and calculating the numbers is minimised, and that an effective method is developed to establish a clear boundary between AfT and other types of aid, so that data are comparable across donors.

The paper draws on a country case study – of Tanzania – to show that there are significant differences in data from a range of available sources used to measure AfT in-country; this is largely due to different data collection methods, including data coverage. In addition, the AfT figures do not include budget support. Given the significant proportion of aid that is provided through budget support in Tanzania (more than half in 2006), the paper suggests a simple method to calculate the amount of budget support that may be channelled towards trade and trade-related activities.

The paper explores the OECD's involvement in monitoring and evaluating AfT and ongoing efforts to develop a system based on the recommendations of the WTO Task Force, using the categories defined in the recommendations.¹ Early efforts by the OECD

to gather information on AfT in-country were not very successful, since only a limited number of developing countries responded to the OECD's questionnaire. The paper recommends a streamlined questionnaire and a simple methodology to solicit AfT information from developing countries that will help identify trade and trade-related objectives and match these to existing AfT and future requirements. In addition to providing a more accurate picture of AfT, a key aim is to encourage and help donors to align their support with countries' own priorities and needs, in accordance with the Paris Declaration on Aid Effectiveness.