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What is Aid for Trade?

2.1 Origins

The AfT initiative has its origins in the WTO negotiations and fears over adjustment costs associated with multilateral trade liberalisation, particularly those arising from preference erosion.³ The initiative gained prominence during the WTO Ministerial Meeting held in Hong Kong in December 2005. The final Ministerial Declaration stresses the importance of AfT in assisting developing countries, especially least developed countries (LDCs) ‘to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly expand their trade’. The phrase ‘more broadly expand their trade’ is important since it separates AfT from the Doha Round, while the reference to ‘supply-side capacity and trade-related infrastructure’ indicates a remit for AfT that goes wider than narrow definitions of assistance on trade.⁴ The final declaration requests the WTO Director-General to follow up with donors discussions by finance and development ministers on mobilising additional development assistance for AfT that took place before and during the Ministerial Meeting. At the meeting, WTO members gave the Director-General a mandate to create an Aid for Trade Task Force to provide recommendations on how to operationalise AfT. Members of the Task Force presented their own ideas and took evidence from international organisations and other WTO members⁵ before making final recommendations, published in July and formally accepted in October 2006.⁶ In addition to suggesting how AfT could be operationalised, the Task Force recommendations outline the mandate, rationale, objectives and scope of AfT, as well as key challenges.

Since Hong Kong, both the WTO and OECD have been involved in operationalising AfT, and held four meetings – three at regional level and one at global level – in the second half of 2007. At these meetings, many donors pledged their support for the AfT initiative; some pledged specific amounts and others stated their intention to increase their official development assistance (ODA) commitments.

2.2 The evolving scope of Aid for Trade

In the run-up to the Doha Ministerial Meeting in November 2001 and during the early 2000s, assistance on trade often focused on TRTA/CB, particularly on understanding WTO agreements and how to implement them, WTO accession and support for trade policy formulation, management and implementation. Much of the support was provided to ministries of trade and their agencies. This focus was partly the result of an emphasis on providing TRTA/CB to support the Doha Development Agenda (DDA), but it can also be dated back to the Uruguay Round.

The definition and scope of assistance on trade issues began to broaden in the early to mid-2000s and became more commonly referred to as trade-related assistance. TRA extends beyond TRTA/CB on trade agreements and the trade policy process and often includes support in addressing supply-side issues, such as trade-related infrastructure (e.g. sanitary and phytosanitary (SPS) laboratories and customs facilities). Strictly speaking, TRTA/CB⁷ is only one mechanism for delivering TRA through the provision of know-how, primarily by supplying human resources, i.e. technical assistance (TA), or education and training for human resource development, i.e. capacity building (CB). However, the interpretation of TRTA/CB has sometimes extended beyond TA or CB to interventions including physical investments. There is no internationally agreed definition of TRA and donors often have their own definitions, some limiting it to TRTA/CB and others broadening its scope. The importance and associated problems of widening the scope of the definition have been acknowledged.⁸ For instance, it has been argued that TRA has ‘the potential to reach right across the development spectrum’⁹ and can include ‘virtually everything’,¹⁰ from specifically trade-targeted support (e.g. assistance in formulating, managing and implementing trade policy) to efforts to address supply-side constraints (e.g. all types of infrastructure investment irrespective of whether or not they are trade-related).

The Hong Kong Ministerial Meeting was the first time that broader TRA – under the AfT label – received official recognition across member states, including both donor and recipient countries. Subsequently, the AfT Task Force recommendations identified a list of AfT categories and descriptions (see section 2.2.2). Given that the AfT Task Force recommendations were formally accepted by WTO members, the AfT categories they set out should be considered as having been formally agreed.

2.2.1 TRTA/CB definitions

The WTO-OECD Trade Capacity Building Database (TCBDB) was launched in 2002 and records data on TRTA/CB from 2001 to 2006. Until recently, donors reported data on trade-related activities to both the TCBDB¹¹ and OECD Creditor Reporting System (CRS). The OECD CRS is the main reporting system for donors reporting on all types of development assistance. From 2007 onwards, TCBDB data were taken from the CRS, rather than reported separately. At present, there is uncertainty regarding whether the TCBDB will continue to operate and in what form.

Even though data will no longer be reported to the TCBDB, it is useful to explain the original definitions and categorisation, since these have helped inform the OECD CRS AfT classification system. According to the WTO-OECD joint reports, TRTA/CB is defined, for the purpose of data collection, as:

... activities that intend to enhance the ability of the recipient country to:

- formulate and implement a trade development strategy and create an enabling environment for increasing the volume and value-added of exports, diversifying

export products and markets and increasing foreign investment to generate jobs and trade; or,

- stimulate trade by domestic firms and encourage investment in trade-oriented industries; or,
- participate in and benefit from the institutions, negotiations and processes that shape national trade policy and the rules and practices of international commerce.¹²

The activities are classified under ‘trade policy and regulations’ (namely the last one) and ‘trade development’ (the first two) as below (see Table 2.1 for detailed categorisation and TCBDB codes):¹³

Trade policy and regulations:

- trade mainstreaming in poverty reduction strategy papers (PRSPs)/development plans;
- technical standards (technical barriers to trade (TBT) and sanitary and phytosanitary measures);
- trade facilitation (trade facilitation procedures; customs valuation; and tariff reforms);
- regional trade agreements;
- multilateral trade negotiations and agreements (accession; dispute settlement; trade-related intellectual property rights (TRIPS); agriculture; services; non-agricultural market access tariff negotiations; rules; training in trade negotiations techniques; trade and environment; trade and competition; trade and investment; transparency and government procurement); and
- trade education and training.

Trade development:

- business support services and institutions;
- public-private sector networking;
- e-commerce;
- trade finance;
- trade promotion strategy and implementation (agriculture, forestry, fishing, industry, mining, tourism, services, multisector/general); and
- market analysis and development (agriculture, forestry, fishing, industry, mining, tourism, services, multisector/general).

Activities are classified by the objectives of the activity. Trade objectives are considered to be the only objectives of ‘trade policy and regulations’ activities, while ‘trade development’ activities are understood to ‘generally have another major objective (e.g. agricultural or industrial development)’ besides trade.¹⁴ In practice, data recorded in the TCBDDB are often not limited to the strict definition of TA or CB and include activities such as investment in laboratories, which involve a hard component extending beyond TA or CB.¹⁵

The reliability of the database has been questioned, particularly when compared with other datasets. Significant data discrepancies have been found between the TCBDDB and other datasets.¹⁶ In section 4, the paper compares data on trade policy and regulations from three different sources in order to test the robustness of the available data.

2.2.2 Aid for Trade Task Force typology

The Task Force recommended that the scope of AfT should be ‘*both broad enough to reflect the diverse trade needs identified by countries, and clear enough to establish a border between Aid for Trade and other development assistance of which it is a part*’.¹⁷ The Task Force identified the following six categories and descriptions:¹⁸

- A. **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.
- B. **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; and market analysis and development.
- C. **Trade-related infrastructure**, including physical infrastructure.
- D. **Building productive capacity**.
- E. **Trade-related adjustment**, including supporting developing countries to put in place accompanying measures that assist them to benefit from liberalised trade.
- F. **Other trade-related needs**.

The Task Force recommended that ‘reporting on categories A and B should follow the definitions in the joint WTO-OECD (Trade Capacity Building) database’. According to the Task Force, categories C to F should be included in the definition and reported as AfT when the activities are identified as trade-related priorities in the recipients national development strategy (NDS).¹⁹ The recommendations also state that donors and agencies should ‘make targeted funds available for building infrastructure and removing supply-side constraints – *over and above capacity building and technical assistance*’.²⁰

2.2.3 OECD Creditor Reporting System

Since the publication of the Task Force recommendations, the OECD has attempted to reorganise the AfT categories in order to enable the use of existing data categories in the OECD CRS database as far as possible, while representing the agreed categories in the Task Force recommendations. Reporting AfT only to the OECD CRS database will help streamline monitoring and reduce the transaction costs involved in reporting to two different systems. However, the CRS data are less detailed compared with the TCBDB, particularly under ‘trade policy and regulations’, where sub-components under ‘trade policy and administrative management’ and ‘trade facilitation’ and ‘multilateral trade negotiations’ reported under the TCBDB are not reported under the CRS database (see Table 2.1 for a comparison of TCBDB and CRS database codes). However, in the TCBDB the detailed purpose codes are based on WTO mandates, whereas the CRS codes may be interpreted more widely, particularly given that WTO mandates may not be the primary concern of CRS reporters.

The current OECD AfT proxies of the AfT Task Force categories are as follows (see Box 2.1):

- (i) trade policy and regulations (A) and trade-related adjustment (E);
- (ii) economic infrastructure (C);
- (iii) building productive capacity (D), including trade development (B).

Some of the CRS categories and sub-categories are similar to those in the TCBDB, while different categories on ‘trade-related adjustment’, ‘economic infrastructure’ and ‘building productive capacity’ are also included in the CRS.²¹ ‘Trade development’, which is a separate category in the TCBDB, is part of the ‘building productive capacity’ category in the CRS. The latter category, by definition, has the potential to have a much broader scope than trade development alone.

2.3 Measuring Aid for Trade

2.3.1 Political and technical issues

How to define and measure AfT is central to the discussion. Naturally, given the complexities and ambiguities in defining AfT, measuring it is no less problematic. There are significant problems in attempting to provide meaningful measurements. Measuring AfT is not only a technical issue but a political one because of the politics of competitive pledging and calls for additionality from recipients. Donors who pledge more AfT need to find ways to show that they are honouring their pledges, so they have an interest in controlling how the measurement system is designed. Developing countries need to have confidence that there is an effective system to monitor flows without double-counting. The issue of additionality is controversial. Developing countries,²² especially LDCs, originally demanded that AfT should be additional to what would have otherwise taken place, given planned increases in total aid, without diverting resources from other

Box 2.1. Aid for Trade categories in the OECD CRS

Trade policy and regulations and trade-related adjustment

- **Trade policy and administrative management** Trade policy and planning; support to ministries and departments responsible for trade policy; trade-related legislation and regulatory reforms; policy analysis and implementation of multilateral trade agreements, e.g. technical barriers to trade and sanitary and phytosanitary measures except at regional level (see 33130); mainstreaming trade in national development strategies (e.g. poverty reduction strategy papers); wholesale/retail trade; unspecified trade and trade promotion activities.
- **Trade facilitation** Simplification and harmonisation of international import and export procedures (e.g. customs valuation, licensing procedures, transport formalities, payments, insurance); support to customs departments; tariff reforms.
- **Regional trade agreements (RTAs)** Support to regional trade arrangements (e.g. Southern African Development Community (SADC), Association of Southeast Asian Nations (ASEAN), Free Trade Area of the Americas (FTAA), African Caribbean Pacific/European Union (ACP/EU)), including work on technical barriers to trade and sanitary and phytosanitary measures (TBT/SPS) at regional level; elaboration of rules of origin and introduction of special and differential treatment in RTAs.
- **Multilateral trade negotiations** Support developing countries' effective participation in multilateral trade negotiations, including training of negotiators, assessing the impact of negotiations; accession to the World Trade Organization and other multilateral trade-related organisations.
- **Trade education/training** Human resources development in trade not included under any of the above. Includes university programmes in trade.
- **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 in managing shortfalls in the balance of payments due to changes in the world trading environment.

Economic infrastructure

- **Transport and storage** Transport policy and administrative management; road transport; rail transport; water transport; air transport; storage; education and training in transport and storage.
- **Communications** Communications policy and administrative management; telecommunications; radio/television/print media; information and communication technology (ICT).
- **Energy generation and supply** Energy policy and administrative management; power generation/non-renewable sources; power generation/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; and, energy research.

Building productive capacity (including trade development) – sub-categories are scored according to whether the activities have trade development-oriented objectives

- **Business support services and institutions** Support to trade and business associations, chambers of commerce; legal and regulatory reform aimed at improving the business and investment climate; private sector institution capacity building and advice; trade information; public-private sector networking, including trade fairs; e-commerce. This sub-category is used where the sector cannot be specified, i.e. general support to private sector enterprises.
- **Banking and financial services** Financial policy and administrative management; monetary institutions; formal sector financial intermediaries; informal/semi-formal financial intermediaries; and, education/training in banking and financial services.
- **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; and livestock/veterinary services.
- **Forestry** Forestry policy and administrative management; forestry development; fuelwood/charcoal; forestry education/training; forestry research; forestry services.
- **Fishing** Fishing policy and administrative management; fishery development; fishery education/training; fishery research; and fishery services.
- **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; fertiliser plants; cement/lime/plaster; energy manufacturing; pharmaceutical production; basic metal industries; non-ferrous metal industries; engineering; transport equipment industry; technological research and development.
- **Mineral resources and mining** Mineral/mining policy and administrative management; mineral prospecting and exploration; coal; oil and gas; ferrous metals; nonferrous metals; precious metals/materials; industrial minerals; fertiliser minerals; and offshore minerals.
- **Tourism** Tourism policy and administrative management.

Source: OECD (2007a) and OECD (2008)

Table 2.1. Difference between WTO-OECD trade capacity building database and the OECD Creditor Reporting System

| TCBDB code | WTO-OECD Trade Capacity Building Database | CRS code | OECD Creditor Reporting System | Main differences |
|-------------------|--|-----------------|--|---|
| | Trade policy and regulations | | Trade policy and regulations and trade-related adjustment | |
| 33111 | Trade mainstreaming in PRSPs/development plans | 33110 | Trade policy and administrative management | TCBDB includes detailed sub-categories; CRS reports only main category. |
| 33112 | Technical barriers to trade | | | |
| 33113 | Sanitary and phytosanitary measures | | | |
| | [no code for trade facilitation sub-total] | 33120 | Trade facilitation | TCBDB includes detailed sub-categories; CRS reports only main category |
| 33121 | Trade facilitation procedures | | | |
| 33122 | Customs valuation | | | |
| 33123 | Tariff reforms | | | |
| 33130 | Regional trade agreements | 33130 | Regional trade agreements | |
| | [no code for multilateral trade negotiations/agreements sub-total] | 33140 | Multilateral trade negotiations | TCBDB includes detailed sub-categories; CRS reports only main category |
| 33141 | Accession | | | |
| 33142 | Dispute settlement | | | |
| 33143 | Trade-related intellectual property rights | | | |
| 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 | | | |

Table 2.1 (continued)

| TCBDB code | WTO-OECD Trade Capacity Building Database | CRS code | OECD Creditor Reporting System | Main differences |
|-------------------------------------|--|----------|---|---|
| Trade policy and regulations | | | | |
| 33181 | Trade education/training | 33150 | Trade-related adjustment | New category added to CRS; no category in the TCBDB |
| 25011 | Business support services and institutions | 25010 | Business support services and institutions | CRS 'public-private sector networking' and under 25010. |
| 25012 | Public-private sector networking | | (trade development marker score is 2 by definition) | |
| 25013 | E-commerce | | 'e-commerce' included | |
| 24010– | Trade finance | 24010– | Banking and financial services | In the CRS, 'trade promotion strategy and implementation' and 'market analysis and development' are |
| multiple | Trade promotion strategy and implementation ^a | 24081 | | included under the trade development marker (see box) for each category in the 'building productive capacity' category. No services or multi-sector/general category. |
| 311xx | Agriculture | 31110– | Agriculture | |
| 312xx | Forestry | 31195 | | |
| 313xx | Fishing | 31210– | Forestry | |
| 321xx | Industry | 31291 | | |
| | | 31310– | Fishing | |
| | | 31391 | | |
| | | 32110– | Industry | |
| | | 32182 | | |
| 322xx | Mineral resources and mining | 33210– | Mineral resources and mining | |
| 33210 | Tourism | 32268 | | |
| 33300 | Services | 33210 | Tourism | |
| 33400 | Multi-sector/general | | | |

areas. However, donors have not agreed to additionality. Many donors and agencies are planning to provide more AfT as part of already agreed planned increases in total aid, even though the share of total aid dedicated to AfT may actually decline. Nevertheless, in practice aid (excluding debt relief and spending on Iraq and Afghanistan) has barely increased since 2005, and donors are not on track to meet their stated commitments for 2010.²³

The relatively high profile of the AfT initiative, and the fact that many donors have specified commitments to it, provide an incentive for donors to interpret OECD AfT categories as widely as possible and may include inappropriate re-labelling of aid as AfT (see section 2.3.3).²⁴ The degree of subjectivity in calculating the figures, particularly in disentangling AfT from other types of aid, make it difficult to measure the quantity of AfT flows or to measure these flows against targets or across donors. Trade is not a 'sector', but rather a characteristic of several sectors. This makes it easy to define activities as trade related and difficult to distinguish AfT from other development assistance, as recommended by the Task Force.

The next section briefly discusses the OECD AfT monitoring framework, which is still under development, and then highlights problems in monitoring AfT, including the potential for inconsistent reporting across donors and lack of comparability of AfT flows.

2.3.2 Aid for Trade monitoring framework

The OECD, together with the WTO, is developing a framework to help identify, measure and monitor AfT flows. In advance of the WTO-OECD global review in November 2007, the OECD and WTO distributed self-assessment questionnaires to donors and recipient countries to solicit information on AfT. These questionnaires are part of a three-tier monitoring framework guided by the 2005 Paris Principles on Aid Effectiveness.²⁵ The three levels include both qualitative and quantitative information:

- The OECD CRS to track total AfT flows;
- A donor self-assessment questionnaire;
- A recipient self-assessment questionnaire.

The aim of the three levels of monitoring is to provide a comprehensive picture of AfT and enable the international community to assess what is happening, what is not happening and where improvements are needed, as well as help identify the needs of recipient countries. The donor questionnaire and the recipient country questionnaire ask a series of questions under the following broad headings:

- What is your AfT strategy?
- How much AfT do you provide/receive?
- How do you implement your AfT strategy?
- Do you participate in mutual accountability arrangements?

For this paper, the recipient country questionnaire – and more importantly how to improve it – is of particular interest. It asks several questions to help identify trade-related development needs and priorities, as well as existing and potential AfT: is trade prioritised in the national development strategy? Is a government-wide trade development strategy in place and if so what are its main priorities? Does the trade development strategy specify AfT needs? What needs assessments (e.g. diagnostic trade integration studies²⁶ have been carried out in order to formulate trade development strategies? Has the trade development strategy been costed and what percentage is expected to be funded by ODA? What aid activities support the trade development strategy and to what extent do these reflect government priorities? It attempts to identify and measure wider AfT (categories C to F) by requesting information on aid activities (in line with the OECD CRS categories) which are considered to support a country's trade development strategy and priorities. In doing so, it avoids a prescriptive definition of AfT, given that different countries will highlight different priorities and constraints with respect to trade. Rather than limit reporting on the wider AfT categories to those activities identified as trade-related priorities in the NDS, as recommended by the Task Force, the questionnaire focuses on obtaining information on trade development strategies. Since trade is often not discussed to any significant extent in NDSs,²⁷ this would at first sight appear sensible. However, no guidance is given on what should be considered a trade development strategy – some countries do not have such a strategy or trade policy, while others may have several government documents outlining their priorities.²⁸

Even though most agencies and donors had completed and returned their questionnaires before the global review meeting, only eight recipient countries had responded – and only two from Africa (Malawi and Mauritius).²⁹ This is not entirely surprising, given that the questionnaires were given to permanent representatives at the WTO, rather than submitted directly to national governments, and that they required a quick response (in under two months); they were also designed and sent out by an agency (the OECD) that many had not dealt with before. In comparison, the donors who responded were OECD members, who were familiar with both the agency and the CRS.

It should be noted that it is unclear whether the final monitoring framework will include one measurement system (the CRS database), complemented by qualitative information (donor and recipient reports), or three measurement systems (CRS, donor and recipient). However, it appears that the framework is moving towards the former. At the international level, in the interests of developing consistent reporting and comparable flows on AfT between donors and agencies – and in order to ensure the data collection and classification system is manageable – this would seem sensible. Nevertheless, it is important to have a complete picture of AfT that represents the views of both donors and recipient countries. For instance, the recipient may classify a particular aid-funded activity as trade-related, while the donor may place it in some other category. In accordance with the internationally agreed Task Force recommendations, the trade-related priorities of recipient countries should determine the scope of the broader AfT agenda in-country. In addition, the importance of allowing recipient countries' own

trade-related priorities to determine what should or should not be considered as AfT should be considered in the context of the Paris Principles on Aid Effectiveness. According to the Paris Principles, aid is generally more effective when donors align their support with the development priorities of the recipient country and where the development community respects the right and responsibility of the recipient country to exercise effective leadership over its development policies and strategies and co-ordinates development actions.³⁰ Hence, recipient countries should define and identify their own trade-related development priorities and associated AfT needs, classifying AfT accordingly; this may or may not correspond with the CRS AfT proxies or donor classification systems. The AfT initiative and the official widening of the scope of TRA may encourage recipient countries to consider the broader range of interventions (e.g. tackling supply-side constraints) necessary to help countries to trade, hence potentially broadening their trade-related development priorities (without compromising the Paris Principles).

Section 5 suggests a simple and practical methodology to help recipient countries to identify, define and measure existing AfT and AfT needs, according to trade-related development priorities and needs.

2.3.3 Estimating Aid for Trade

The ‘building productive capacity’ and ‘economic infrastructure’ categories have raised concerns about the degree to which donors and the OECD may reclassify aid formerly considered under other types of development assistance as AfT. For instance, private sector development portfolios that were treated separately from TRA now fall under the AfT portfolio of some donors. There are legitimate reasons for re-labelling other types of aid as AfT, given its wider definition under the Task Force recommendations. However, there is an obvious motive for re-labelling aid as AfT, sometimes inappropriately, to demonstrate increasing commitment to AfT and meet targets. Hence, a greater share of AfT in total ODA may simply reflect a re-labelling of other types of ODA as AfT and not represent additional aid.

However, there may also be cases where AfT is underestimated. For instance, entries in the OECD CRS that are trade-related may not be captured by the AfT proxies and instead be classified under other CRS codes. Large projects and programmes with a number of components, including trade-related activities, are only registered under one CRS code that reflects the main area – which may not be trade-related. In addition, total multi-lateral ODA flows are typically under-reported, since reporting to the CRS database is voluntary because multilateral agencies are not members of the OECD. Where multi-lateral ODA flows are reported, the data may be incompatible with the CRS. There is no formal mechanism to ensure that multilaterals report data according to the OECD CRS statistical directives, while the OECD does not have the resources to convert multi-lateral flows as reported to CRS-compatible data. Another important fact to note is that the OECD figures do not include non-Development Assistance Committee (DAC) donors, some of which are significant AfT providers (e.g. China), or many of the multi-

lateral agencies that provide assistance, particularly on trade policy and regulations (e.g. the WTO and the International Trade Centre (ITC)).

Nevertheless, OECD data on AfT are likely to overestimate the actual volume of AfT for those countries that report their ODA to the OECD CRS. For instance, economic infrastructure includes many infrastructure projects that may have no trade-related objectives or likely potential impact on a country's capacity to trade.³¹ There is no agreed method of disaggregating the trade component of projects which have trade and non-trade objectives. This is not, of course, a problem peculiar to AfT. The OECD notes that under the 'trade development' category in the TCDBD, 'donors have established different reporting practices with some attempting to isolate the trade component of each category and others reporting the whole activity as trade-related'.³²

There are various considerations in deciding how to determine the trade component of an aid-funded activity which falls under the broader categories of AfT (e.g. (C) and (D) under the AfT Task Force categories; and, (ii) and (iii) under the OECD classification). One is whether or not to determine the trade component based on the trade-related objectives of an activity or likely impact on trade. The objective approach involves identifying the trade-related objectives, while the outcome approach requires some assessment of the potential impact of an activity on trade. The OECD initially requested that donors/agencies define the trade-related share of the CRS broad AfT categories. However, only the World Bank, USA, Inter-American Development Bank (IADB) and European Community (EC) managed to do so. The majority of efforts to identify the trade component of activities have focused on identifying trade-related objectives, since identifying the potential impact on trade requires substantially more effort. However, the outcome approach is more representative of whether an activity is actually trade-related (i.e. has an impact on trade). For instance, an activity with trade-related objectives may have little or no impact on trade in practice (e.g. a programme to help SMEs which includes objectives on increasing international trade), while an activity with no explicit trade objectives may have a much greater impact on trade (e.g. a programme to reduce corruption). However, assessing the potential impact on trade of all activities under the broader categories of AfT, while not impossible, is extremely difficult.

In spite of the fact that some agencies are able to calculate the trade component of infrastructure spending, the OECD now states that 'it is almost impossible at the global level to provide a sound criterion that differentiates between trade-related infrastructure and general economic infrastructure'.³³ However, recently a 'trade development marker' has been introduced in the OECD CRS reporting directives to record trade development under the larger category 'building productive capacity' (see Box 2.2) in order to obtain a more accurate picture of assistance to support trade. A score of 0, 1 or 2 is assigned to each activity, depending on whether it has a trade development objective, which is likely to be easier than calculating a share from 0 to 100 assigned to trade development and much easier than following an outcome approach. Nevertheless, while the trade development marker will help highlight whether an activity is trade-related, the classification is subjective, since there is no formal common methodology to distinguish what is consid-

ered principal or significant; it is therefore likely to be prone to measurement error, especially where the definition and criteria are applied loosely, making it difficult to reliably compare AfT flows between donors. At the moment, the application of the marker is very much in the early stages, with some donors beginning to score their aid flows accordingly.

Box 2.2. Trade development marker

The newly introduced trade development marker identifies trade development within the ‘building productive capacity’ category.

Definition of trade development activities: Activities which improve the ability of the recipient country to:

- Formulate and implement a trade development strategy and create an enabling environment for increasing the volume and value-added of exports, diversifying export products and markets and increasing foreign investment to generate jobs and trade; or
- Stimulate trade by domestic firms and encourage investment in trade-oriented industries.

Criteria: In order for an activity to be classified as trade-development oriented, the objective of trade development has to be explicitly promoted and the activity needs to contain specific measures to promote one or more of the following trade development areas: business support services and institutions; access to trade finance; or trade promotion and market development in the production and service sectors.

Scoring: An activity is classified as ‘trade development’ if it is the principal (score 2) or a significant (score 1) objective of the activity. If trade development is not targeted then the activity receives a zero score.

Source: OECD (2008)

The ‘definition’ of trade development activities under the CRS is identical to the trade development definition under the TCBDB classification system (see Box 2.2 and section 2.2.1) and the ‘criteria’ for identifying trade development under the CRS and associated categorisation closely represent the categorisation in the TCBDB (see Table 2.1 for a comparison of categories).

2.3.4 An expanding agenda?

Before the AfT initiative, while some donors focused on categories A and B when discussing TRA and did not include infrastructure in their headline figures or pledges on

TRA, others did include infrastructure (trade-related or total) in their classification systems. In addition, the introduction of the trade development marker within building productive capacity may indicate a move back to attempting to report only on trade development rather than on broader categories which may not have an explicit trade objective (perhaps motivated by concerns over re-labelling). Hence, it is not inconceivable that the OECD CRS categories may end up reflecting what some donors were already describing as TRA before the AfT initiative was officially recognised, except for the addition of trade-related adjustment.

Nevertheless, officially widening the scope of TRA under AfT may encourage those donors and recipient countries with a relatively narrow perspective on trade and TRA to consider the broader range of actions (e.g. tackling supply-side constraints) and the package nature of reforms necessary to help countries to trade.