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Developing a Methodology for Identifying Aid for Trade In-country

5.1 Identifying, classifying and quantifying Aid for Trade in-country

In order to define and quantify broader AfT at the country level, the Task Force recommends reporting aid as AfT when such aid supports ‘trade-related priorities’ that are ‘explicitly identified’ in a country’s NDS (section 2.2.2). However, this recommendation seems to have been ignored by many donors and agencies in favour of using the OECD CRS and associated AfT proxies to define and measure AfT, probably because of the complexities of following the Task Force’s recommendations in practice. From the perspective of the donors, the problems of data comparability among recipient countries – each with differing interpretations of what is or is not a ‘trade-related priority’ – and the preference by donors and agencies for one reporting system that has the potential to be comparable across countries and which is under their control may explain why they appear to have opted for the CRS.

Nevertheless, it is important that recipients can assess aid commitments and disbursements in relation to their own identified trade and trade-related objectives and priorities, and identify existing and future AfT needs. However, there are several problems with the Task Force approach, including the lack of integration of trade issues in NDSs in many countries, particularly in LDCs and some developing countries.⁴⁴ In fact, NDSs in many LDCs (and some developing countries) often do not state priorities related to trade. Hence, such an approach could potentially ignore aid which is not directly related to priorities in the NDS, but which clearly has trade objectives as highlighted by other key government documents (e.g. trade policies and/or trade development strategies) that specify trade and trade-related priorities and/or donors own reporting. This could be a disincentive to provide AfT (according to the donors definitions – namely CRS) where trade and trade-related priorities are not identified within a recipient’s NDS; it could mean that donors are biased towards allocating AfT to countries which have adequately mainstreamed trade in their NDS in order to inflate reported figures on AfT according to the Task Force definition. Given the importance of aligning aid to a country’s own priorities, in accordance with the Paris Principles, it could be argued in principle that this approach may be appropriate. Nevertheless, NDSs often fail to represent a country’s priorities as specified in other government policies and strategies and therefore should be assessed in terms of coverage and adequacy of the policy formulation process before it is assumed that the NDS provides a definitive and all-encompassing priority-setting government tool. In particular, in many LDCs, PRSPs are the main development strategy; historically, they have been influenced by the priorities of donors, particularly the first generation PRSPs, which typically prioritised social sectors over productive sectors and

often had little or no coverage of trade issues. Even though the influence of donors on the content of NDSs has generally diminished, it is still evident in many strategies. Therefore, donors aligning with the NDS in some circumstances may in fact be aligning with some of their own priorities, which may have permeated through to second generation PRSPs.

Hence, it is important to also use other sources to identify trade and trade-related priorities in order to define existing and potential AfT under the broader categories, while ensuring that efforts are made to integrate trade in the NDS where appropriate. The OECD attempted to solicit such information through the questionnaires it sent to recipient countries as part of the OECD-WTO AfT monitoring framework (see section 2.3.2). The main aim of the recipient country questionnaires was to obtain a more comprehensive picture of AfT at country level and relate trade and trade-related priorities and AfT to ‘trade development strategies’, rather than restricting them to priorities in the NDS. However, as already highlighted in section 2.3.2, some developing countries do not have a government document outlining a trade policy and/or trade development strategy.

The lack of responses to the recipient country questionnaire – and the fact that the monitoring framework of the OECD is still under development – suggests that the development of a robust yet simple methodology to identify, classify and quantify AfT in-country (based on countries’ experience) may provide an important input to the current debate on monitoring AfT flows. More importantly, it could provide a tool for developing countries, particularly LDCs, to identify and quantify existing AfT and establish their AfT needs. The OECD intends to redesign and simplify the recipient questionnaire. Here we recommend that the questionnaire should be redesigned so that it brings together information on all trade and trade-related objectives and priorities from a variety of sources, not just NDSs and trade development strategies, and so that it relates existing and future AfT to trade and trade-related objectives. In addition, an intermediary non-donor organisation that is closer to the recipients’ interests should be identified to facilitate a better response rate, rather than the OECD. The aim should be to promote greater openness, particularly with respect to recipients’ views on donors (see, for example, question 3 below). The following suggests a simplified version of the questionnaire based on information from the questionnaire and analysis in this paper:

1. Identify trade and trade-related objectives and priorities using:
 - NDSs
 - Trade policies
 - Trade strategies
 - Needs assessments
 - Budget and spending allocations.
2. Describe the extent to which trade and trade-related objectives and priorities are specified within the above-mentioned sources and highlight the main sources.

3. Describe the role and influence of donors in the above-mentioned processes and documents (e.g. needs assessments, budget formulation, drafting of the NDS, etc.).
4. Identify existing and future aid supporting the trade and trade-related objectives and priorities as identified above in all of the sources (such aid will henceforth be considered as AfT in-country).
5. Identify potential gaps in support and assess to what extent donors are providing support in line with the trade and trade-related objectives and priorities.

Figure 5.1 provides a simple methodology in the form of a chart to help connect and explore some of these issues and their relevance. The methodology first attempts to ascertain whether government policies and strategies exist that specify trade and trade-related objectives and priorities, and/or whether these are prioritised in budget allocations. The methodology aims to assist in identifying trade and trade-related objectives and priorities in order to guide the process of defining and measuring AfT, existing and future, and to encourage the alignment of future aid with countries' own trade and trade-related objectives, priorities and needs.

Figure 5.1.1. Simple methodology to identify trade and trade-related objectives and priorities, needs, fundable activities and Aid for Trade

