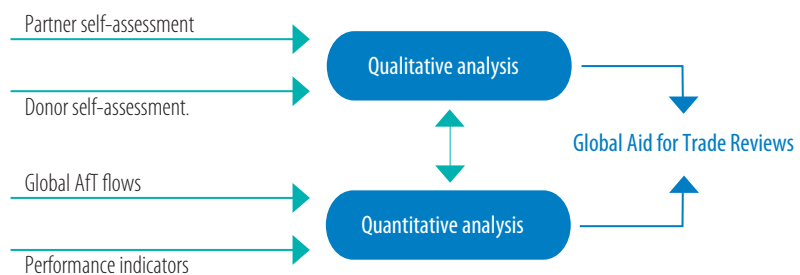


ANNEX 2: METHODOLOGICAL NOTES

1. INTRODUCTION

The first joint OECD/WTO *Aid for Trade at a Glance 2007* publication was based on a three tier monitoring framework, *i.e.* the donor and partner country self assessments and the global aid-for-trade flows. The second global monitoring exercise takes a more results-based approach. It assesses the extent to which aid-for-trade strategies have been implemented and insofar as possible indicates the impacts of aid-for-trade projects and programmes. Consequently, the monitoring framework has been supplemented by a fourth tier composed of performance indicators. Monitoring and evaluation of aid for trade remains a work in progress but this report showcases the progress made in recent years. Monitoring will continue to provide greater transparency and accountability which, in turn, can help generate greater political and public support for the initiative.

Figure A2.1 The Monitoring and Evaluation Framework



This annex addresses the four tiers of the aid-for-trade monitoring framework. The structure of this annex mirrors the structure of the report and devotes one section to Chapters 2 to 5. Section 2 describes the revision of the partner country self-assessment questionnaire. Section 3 emphasises the major methodological challenges faced in tracking aid-for-trade flows through the CRS and progress made since the first Global Review. Section 4 reports on the donor self-assessment process and Section 5 describes the approach taken for assessing progress in implementing the regional dimension of aid for trade.

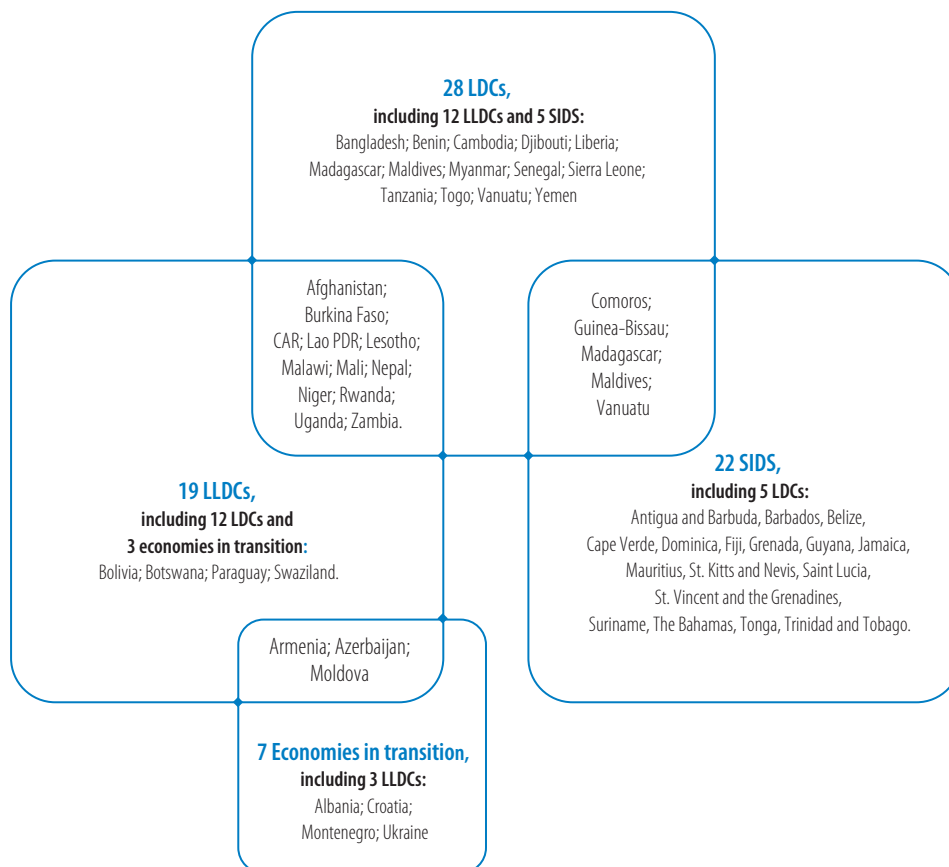
2. PARTNER COUNTRY SELF-ASSESSMENT

The partner country response rate to the second aid for trade monitoring was excellent. Part of the explanation is the joint work undertaken by the OECD and the WTO to improve user-friendliness of the partner country self-assessment questionnaire. The elaboration of the questionnaire involved partner countries through an intense consultation process and resulted in a questionnaire more tailored to their needs.

The partner country chapter is based on the responses of 83 countries¹, out of 112 surveyed. This 74% response rate presents an encouraging increase in partner country engagement compared to the 7% response rate in the first monitoring exercise in 2007². Responses were received from 31 countries located in Africa, 16 in Asia, 27 in Latin America and the Caribbean, 6 in Europe, and 3 in Oceania. The income group breakdown is as follows: 28 least-developed countries (LDCs)³, 9 other low income countries (OLICs), 26 lower middle income countries (LMICs), and 20 upper middle income countries (UMICs).

Furthermore, 19 countries are landlocked developing countries (LLDCs), 22 are small island developing states (SIDS), and 7 are economies in transition. The specific needs of these country groups deserve to be highlighted separately.

Figure A2.2 Partner country breakdown (LDCs, SIDS, LLDCs and economies in transition)



After the first Global Review, the OECD and the WTO engaged partner countries through a series of consultations. Two OECD/AITC meetings and an OECD/UNDP brainstorming meeting were held to obtain the views of partner countries on the first self-assessment. Building on these exchanges, the 2009 self-assessment questionnaire was tailored to partner countries' needs and expectations. Subsequently, the revised questionnaire was submitted for comments to the WTO Committee on Trade and Development. In particular, the format of the questionnaire has been expanded to include a combination of open-ended and multiple-choice questions⁴ without increasing the overall number of questions:

- i. **open-ended questions** allow partner countries to present their individual objectives and pace of progress, and to describe the platforms and the mechanisms available for coordination (or the steps being taken to establish such mechanisms) and implementation of aid for trade;
- ii. **multiple choice questions** acknowledge the fact that many partner countries are severely resource-constrained and can only devote minimal resources to the collection and compilation of detailed information on each topic addressed in the questionnaire. This approach guaranteed an optimal rate of participation, balancing the need to raise the profile of this exercise while avoiding overburdening resource-constrained administrations. The multiple-choice approach enabled the identification of mainstreaming and implementation trends.

It was understood that the questionnaire needed to be framed in plain language accessible to non-specialists. For this reason, an explanatory background note was added to guide partner country officials step-by-step through the questionnaire. This note explained the type of information that countries were expected to provide under each question and clarified the terminology.

The process of identifying the relevant authorities in each country to complete the self-assessment remained challenging. The present exercise shows that the trade ministry - the main entity responsible for coordination of trade issues - needs to be involved, but other ministries such as finance/planning, sectoral ministries and government agencies should also participate. In addition, in LDCs, the EIF focal point should be involved, as a majority of LDCs confirm that their EIF focal point coordinates the trade agenda. Furthermore, Geneva-based permanent missions have proven to be the relevant intermediary to transmit the questionnaire to the capital. Indeed, regular meetings of the WTO Committee on Trade and Development kept the momentum and ensured that Geneva-based officials raised awareness in capitals about the Aid-for-Trade Initiative.

Furthermore, it is clear that the assistance of multilateral agencies (*i.e.* regional development banks, UNDP, the World Bank) significantly raised the participation rate of developing countries. Assistance was provided to engage partners and assist them in responding to the questionnaire. For instance, the IADB hired two consultants to raise awareness of the initiative and provide technical support. The outstanding response rate of the Latin America and the Caribbean region is testimony to the success of this approach. Reminders sent by the EIF Secretariat to the EIF in-country focal points certainly played a role in ensuring that LDCs did participate to the same extent as other partner countries, in spite of their additional challenges.

3. GLOBAL FLOWS

Projects and programmes are part of aid for trade if these activities have been identified as trade-related development priorities in the partner country's national development strategies. The WTO Task Force concluded that aid for trade comprises the following categories: i) technical assistance for trade policy and regulations: for example, helping countries to develop trade strategies, negotiate trade agreements, and implement their outcomes; ii) trade-related infrastructure: for example, building roads, ports, and telecommunications networks to connect domestic markets to the global economy; iii) productive capacity building (including trade development): for example, supporting the private sector to exploit their comparative advantages and diversify their exports; iv) trade-related adjustment: helping developing countries with the costs associated with trade liberalisation, such as tariff reductions, preference erosion, or declining terms of trade; and, v) other trade-related needs: if identified as trade-related development priorities in partner countries' national development strategies.

The Creditor Reporting System (CRS) - a database covering around 90% of all ODA - was recognised as the best available data source for tracking global aid-for-trade flows. The CRS aid activity database was established in 1967 and collects information on official development assistance (ODA) and other official flows to developing countries. It is the internationally recognised source of data on aid activities (geographical and sectoral breakdowns) and is 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. The policy and guidelines for CRS reporting are approved by DAC members as represented on the DAC Working Party on Statistics (WP-STAT). The OECD collects, collates and verifies the consistency of the data, and maintains the database.

The CRS enables the tracking of aid commitments and disbursements, and provides comparable data over time and across countries. The use of an existing database led to significant savings of time and resources to effectively track aid-for-trade flows. The use of the CRS entailed some loss of detailed information about trade-related technical assistance and trade development, formerly collected in the joint OECD/WTO trade-related technical assistance and capacity building database (TCB). However, several modifications have been made to the CRS to adapt it to aid-for-trade needs.

It should be kept in mind that the CRS does not provide data that match exactly all of the above aid-for-trade categories. In fact, the CRS provides proxies under five headings:

- i) *Technical assistance for trade policy and regulations.* In the CRS, five purpose codes are used to cover trade policy and regulations activities, in contrast to the 20 TCB codes. These five sub-categories are: a) trade policy and administrative management; b) trade facilitation; c) regional trade agreements; d) multilateral trade negotiations; and e) trade education/training.
- ii) *Economic infrastructure.* Aid commitments for trade-related infrastructure are proxied in the CRS by data under the heading “economic infrastructure”. This heading covers data on aid for communications, energy and transport. To know how accurate the CRS proxies are (e.g. how much of the hypothetical energy project relates to trade), the CRS data must be compared with donors’ knowledge of the specific features of their infrastructure aid. So far, only two donors (the United States and the World Bank) are able to provide more refined data concerning the trade component of economic infrastructure projects.
- iii) *Productive capacity building (including trade development).* Data on commitments of aid for productive capacity building exist under the CRS category “building productive capacity”. Since the first monitoring exercise, the CRS allows components of a productive capacity building project (i.e. the trade development policy marker) to be marked as relevant to trade development. It identifies trade development activities within the broader aid-for-trade category of building productive capacity (i.e. activities marked as contributing principally or significantly to trade development). This new category compensates the loss of precision of using the CRS instead of the TCB. Two caveats should be kept in mind when assessing the data: i) some donors have not used the trade development policy marker, reflecting the fact that this marker is used on a voluntary basis; b) the amounts presented under this category cannot be added to the global flows; they are part and parcel of the total flows on productive capacity building. In 2008, twelve members reported on the marker. The number of trade development activities is much smaller in the CRS than in members’ TCB reporting for 2006 (over 3,800 activities were reported by 22 DAC members). In volume terms, the TCB total for 2006 was lower at USD 2.1 billion though it should be recalled that only the “trade share” amount was recorded in the TCB and not the total value of the activity. The fact that CRS amounts for Belgium, New Zealand, Switzerland and the United Kingdom are about the same as, or lower than their TCB levels could therefore be an indication of incomplete reporting. For the other eight users, the CRS figure is around two to three times higher than in the TCB.

- iv) *Trade-related adjustment*. A new sub-heading has been introduced in the CRS to track flows corresponding to trade-related adjustment as of the 2008 data collection of 2007 activities. This category identifies contributions to developing country budgets to assist the implementation of trade reforms and adjustments to trade policy measures by other countries, and alleviate shortfalls in balance-of-payments due to changes in the world trading environment. Only two members reported activities in this category in 2007, Canada (USD 0.3 million) and the EC (USD 17.4 million).
- v) *Other trade-related needs*. The CRS covers all ODA, but only those activities reported under the above four categories will be identified as aid for trade. Data on 'other trade-related needs' cannot be gleaned from the CRS. To estimate the volume of such 'other' commitments, donors would need to examine aid projects in sectors other than those considered so far – for example in health and education – and indicate what share, if any, of these activities have an important trade component. A health programme, for instance, might permit increased trade from localities where the disease burden was previously a constraint on trade. Consequently, accurately monitoring aid for trade would require comparison of the CRS data with donor and partner countries self-assessments of their aid for trade.

4. DONOR SELF-ASSESSMENT

The first round of self-assessments, conducted in 2007, provided a comprehensive picture of what donors are doing on aid for trade, including whether they adhere to the principles of the Paris Declaration on Aid Effectiveness. The first monitoring survey had adopted an input-output-focused approach, which made it difficult to assess the success or failure and the effectiveness of an aid-for-trade intervention. The second monitoring exercise moved beyond inputs and outputs and focused on *outcomes* and *impacts* (i.e. tangible results) to strengthen accountability. This required developing a results-based monitoring approach.

The results-based monitoring approach adopted for the donor questionnaire was similar to that used for the partner country questionnaire: consultations were held with the donors in order to tailor the questionnaire to their needs and expectations. Accordingly, it includes a larger number of questions, with a combination of open-ended and multiple-choice questions. This has allowed donors to provide a broad panorama of their individual objectives and aid-for-trade specific policies, as well as preliminary results (both qualitative and quantitative). However, it should be noted that the rationale for inclusion of multiple-choice questions (i.e. enabling the collection of more comparable information) was not meant for ranking or scoring donors' performance. On the contrary, the objective was to enable donors to self-assess their strengths and weaknesses. The spirit of the exercise is to encourage peer learning and the sharing of good practices in compliance with the principles of the Paris Declaration and the Accra Agenda for Action.

During the second monitoring exercise, responses were received from 38 bilateral donors and 19 regional and multilateral organisations, out of 70 surveyed (a response rate of 81%)⁵.

The focus on strategy (progress on donors' aid-for-trade strategies), implementation (mainstreaming of trade in donor programming and good practices in aid for trade) and mutual accountability (the processes for assessing the implementation of mutually agreed activities and their development results) has been maintained throughout the questionnaire. As in 2007, the questionnaire was accompanied by a CRS based aid for trade profile.

5. THE REGIONAL DIMENSION

One of the innovations in this edition of the *Aid for Trade at a Glance* report is that the donor and partner country self-assessments contain a section dedicated to the regional dimension of aid for trade. The section about regional assistance in each questionnaire provides a clear picture of existing trade-related regional programmes, an aspect that the first monitoring survey did not fully capture. The partner country and donor assessments of the regional challenges are discussed in Chapter 5.

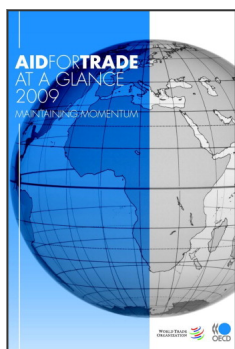
Chapter 5 also includes a section on South-South cooperation, which draws from responses to a South-South questionnaire. Several non-DAC donors responded to the 2007 Survey: Argentina, Brazil, Chile, Singapore, and Thailand. This positive development led the OECD and the WTO to give further consideration about how best to engage non-DAC donors to participate in the aid for trade monitoring process. Some non-OECD/DAC donors suggested that a questionnaire tailored to South-South cooperation might facilitate their reporting. They had particular difficulties with the financial section of the donor questionnaire— since much of their aid is in the form of technical co-operation with no financial counterpart – and with the level of sophistication of the questionnaire. Questions on alignment, management for results and mutual accountability were particularly challenging. At the same time, some non-OECD/DAC donors are increasingly large and sophisticated, and a simplified questionnaire focused on technical co-operation would not enable them to provide a fair picture of their activities. The option selected was to produce a questionnaire tailored to developing countries that have a tradition of co-operation with their neighbours (*i.e.* South-South cooperation) and let these countries decide themselves which questionnaire they would prefer to respond to.

Argentina, China and Brazil chose to respond to the South-South questionnaire rather than the donor questionnaire. Chile, on the other hand, responded to all three questionnaires: donor, partner country and South-South co-operation. The OECD received India's response to the South-South questionnaire after the deadline and therefore it could not be included in the analysis. However, full details of their response can be found on the CD-ROM. Other countries expressed their willingness to share their experience in this domain in the future.

The questionnaire was drafted to emphasise the specificities of South-South and triangular co-operation activities as major vectors of regional aid for trade. It also contains questions about monitoring and evaluation and requested that countries provide a quantified estimate of the assistance provided. Finally, countries could indicate their willingness to report to the CRS and discuss forward planning.

NOTES

1. Six additional countries (Angola, El Salvador, Haiti, Namibia, Samoa, Seychelles) sent their questionnaire responses after the deadline and were not included in the analysis. Their responses can be found on the CD-ROM. Two countries (Armenia and Cambodia) sent two distinct responses to the questionnaire and the OECD consulted the country authorities in both cases to agree on which response to use for the analysis.
2. In 2007, only eight partner countries responded to the questionnaire (Cambodia, Colombia, Malawi, Mauritius, Panama, Peru, Philippines and Uruguay). These countries have also responded to the 2009 questionnaire.
3. Of the 40 LDCs that received the aid for trade questionnaire, 28 sent back their responses before the deadline and are included in this analysis. Two more were received after the deadline and can be found on the CD-ROM. This response rate illustrates the LDCs' engagement in the Aid-for-Trade Initiative.
4. A similar approach was adopted for the donor questionnaire, described in section 4 of this annex.
5. Information about the non-DAC donors is provided in the regional dimension section of this annex.



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