EXPLANATORY NOTES ON AID-FOR-TRADE COUNTRY FACT SHEETS

The aid-for-trade country fact sheets provide factual information to stimulate a debate on results at the country level. The aim is to compare performance in four categories of indicators over the period 2005-10. The fact sheets are not an attempt to establish attribution at a macro level for aid-for-trade results. Methodological difficulties prevent such causality from being established. Instead, the fact sheets are a spur for further in-depth, country-based research.

The country fact sheets are structured according to the results chain framework normally used in project-based development interventions. The factsheets are constructed from four elements:

(a) inputs; (b) outputs; (c) outcomes; and (d) impacts, which all serve to illustrate the causal sequence for an intervention to achieve trade and development objectives. Inputs and their accompanying activities lead to outputs, which in turn lead to certain outcomes – contributing to long-term impacts from the development intervention.

The fact sheets put the results chain framework in a macroeconomic context to illustrate the significance of aid-for-trade disbursements. These disbursements are compared to other development financing flows. While the factsheets do not allow for causal inference, they contribute to a greater understanding of the important role aid-for-trade flows plays in a country's achievement of the trade and development objectives targeted by the flows.

The choice of indicators has been influenced by the availability of time series data. New indicators are appearing which may, in some cases, be more fitting for the purpose of this analysis. However, the absence of historical data and geographic coverage means they are not ripe for inclusion. As such, the indicators in the fact sheets will be updated and refined in future editions.

The fact sheets contain four sections following the results chain framework:

INVESTMENT AND FINANCING (INPUTS)

The inputs section covers investment and financing flows in the economy that form the basis for development and economic growth. Indicators include: gross fixed capital formation (overall, public and private) capturing investment into fixed capital; and external financing inflows capturing the reliance of capital investment on financing from abroad. External financing inflows can be used to finance capital investment and also serve other purposes such as private and public consumption. These inflows are measured using the following indicators: foreign direct investment (FDI) inflows; long-term external debt and IMF disbursements; disbursed trade-related non-concessional flows; disbursed aid-for-trade commitments (overall, by sector and by donor); and remittances and compensation of employees by migrants and non-resident workers.

The comparison of disbursed aid-for-trade commitments flows with other external financial inputs illustrates the relative importance of aid for trade for investment in the local economy.

Sources and variables:

- OECD, DAC-CRS Aid Activities Database: Aid-for-trade disbursements (overall, by sector and by donor), trade-related non-concessional flows disbursed, i.e. "other official flows" that are not considered as official aid either because they are not primarily aimed at development or because they have a grant element of less than 25 percent.
- World Bank (WB), World Development Indicators: Gross fixed capital formation (overall, public and private), FDI inflows, remittances and compensation of employees.
- WB, International Debt Statistics: Long-term external debt and IMF disbursements.

TRADE PERFORMANCE (OUTPUTS)

In the results chain, inputs and accompanying activities result in outputs. The trade performance section covers trade performance indicators that provide a reflection of inputs, policies and economic developments. The trade to GDP ratio is a simple measure for trade openness and the importance of trade for the economy. The importance of services trade for the country is captured by the share of commercial services exports (imports) in total exports (imports). The shares of non-fuel intermediates in merchandise exports and imports suggest to what extent the country is positioned at intermediate stages of value chains. Furthermore, trade values for 2005 and 2011 and the respective changes are shown for exports and imports of goods and commercial services, as well as for commercial services exports by category. Finally, to provide a dynamic view on the export structure of countries, the top five markets and products for merchandise exports and imports are presented for 2005 and 2011 (or other years depending on data availability).

Sources and variables:

- WTO Secretariat: Trade to GDP ratio, commercial services exports (imports) as percent of total exports (imports), non-fuel intermediates (percent of merchandise exports (imports)), goods and commercial services export and imports, top five markets for exports (imports), top five export (import) products.

TRADE INDICATORS (OUTCOMES)

The outcomes section assesses a country's trade policies and trade performance. Indicators include GDP growth and the number of exporting firms, which both represent significant outcomes on the way to achieve long-term development impacts. The Hirschman-Herfindahl index of export concentration shows to what extent the country is concentrated or diversified in terms of exported products with scores closer to zero indicating a more diversified export portfolio and scores nearer to 1 indicating high concentration on a few products. Similarly, export shares by region provide insights into export concentration with respect to destination markets. The number of regional trade agreements covering goods and economic integration agreements covering services capture the country's engagement in regional trade liberalization. Simple and weighted averages of applied import tariffs indicate the extent of market access for goods provided by the country. On the other hand, the market access conditions the country faces when exporting are captured by the tariffs faced in its top five export markets and the share of exports reaching these markets duty free. The indicators time and cost to export and import, and the logistics performance index (LPI; the index ranges from one to five with a higher score indicating better performing logistics) capture administrative- and infrastructure-related trade costs. For these latter indicators, countries are benchmarked against their income group following the classification of the World Bank.

Sources and variables:

- UN Comtrade: Hirschman-Herfindahl index of product export concentration ranging from close to zero (perfectly diversified export portfolio) to one (the country exports only one product).
- WB, Exporter Dynamics Database: Number of exporters.
- WB, World Development Indicators: GDP growth, time and cost to export (import), logistics performance index (LPI; from 1=low to 5=high).
- WTO, Trade and Tariff Profiles: Goods regional trade agreements (RTAs) and services economic integration agreements (EIAs) notified to the WTO, services sectors with GATS commitments, merchandise export shares by region, applied MFN tariffs on imports (simple and weighted average), export tariffs faced (weighted average) and duty free exports (value in percent). Export tariffs faced and duty free exports are based on the country's overall top five export markets in 2005 and its top five export markets for respectively agricultural and non-agricultural products in 2011.

DEVELOPMENT INDICATORS (IMPACTS)

The impacts section covers indicators that describe long-term objectives of economic development which aid for trade aims to achieve. GDP per capita (in constant 2000 USD and in current international dollars) capture the country's overall economic development over time and in comparison to their income group following the classification of the World Bank. The unemployment share and the share of female labour force disclose how inclusive development has been. The share of official development assistance in gross national income, the share of import duties in tax revenue and the total debt service as a share of total exports indicate, respectively, the country's reliance on foreign aid, its use of trade policy to generate public income, as well as its foreign debt burden. The human development index ranges from zero (minimum level of development) to one (maximum level of development) highlighting the three basic development dimensions: health; education; and living standard. Finally, population shares living below USD 1.25 and USD 2 and the income share held by the highest 20 percent of the population illustrate the distributional aspects of development.

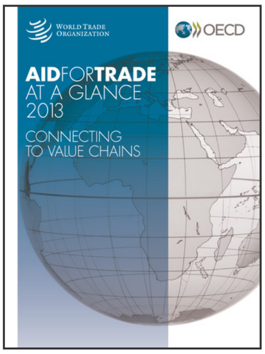
Sources and variables:

- United Nations Development Programme (UNDP), International Human Development Indicators:
  Human development index (from 0=minimum level of development to 1=maximum level of development).
- WB, World Development Indicators: GDP per capita (in const. 2000 USD and based on purchasing power parity, PPP, in current international $), unemployment (percent of total labour force), female labour force (percent of total labour force), net official development assistance (ODA) received (percent of GNI), population living below $1.25 and $2 a day (PPP) (percent), income share held by highest 20 percent of the population.
- WTO, Trade Profiles: Import duties collected (percent of tax revenue).

Legend:

"d.b.z." division by zero

"n.a." data not available



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