

## 1 WHAT IS YOUR AID FOR TRADE STRATEGY?

**Q1.1** Do you have an operational Aid for Trade strategy? Does it have a “pro-poor” focus? What are its key objectives and delivery/implementation modes? (Please break down by types of aid: "multilateral contributions" / "trust funds" / "budget support" / "other bilateral")

*Please describe and exemplify. If applicable, feel free to refer to your 2007 response.*

Yes, we have an operational strategy and it is pro-poor. In 2008 DFID published its Aid For Trade Strategy 'Sharing the Benefits of Trade - Aid For Trade'. The strategy sets out DFID's objectives to build countries' capacity to trade their way out of poverty through improved competitiveness and better regional and global integration combined with a better international system that delivers more aid for trade and measurable results.

DFID will continue to focus on supporting countries, especially least developed countries, to integrate trade priorities into their national development plans, budgets and related growth and competitiveness strategies. We will increase our regional focus working especially in South of Sahara Africa, where most UK aid for trade will be focused, and South Asia where increased regional integration, better infrastructure and more efficient border crossing procedures are important for unlocking trade and growth potential. Economic progress in both regions is crucially important for the sustainable achievement of the MDGs. DFID will also work with EU partners to ensure that new EU regional Economic Partnership Agreements benefit participating developing countries and regions in the Caribbean and Africa and, through the European Commission, the Pacific too.

Over 60% of DFID's aid for trade expenditure is delivered through multi-lateral organisations such as the European Commission, World Bank and the African Development Bank. Therefore, DFID will work with these actors, as well as the WTO and OECD, to ensure that aid for trade benefits poor countries and poor people and results can be effectively measured and monitored. DFID is also working with Sweden and other donors to produce practical guidance for the programming and monitoring of aid for trade that will ensure poverty reduction and promote inclusive growth. DFID also works with or supports a variety of players to further the debate around aid for trade, build evidence and contribute to policy development.

DFID delivers its aid for trade through numerous channels including bi-lateral support to our country offices, various international partnerships (ICF, ICA, etc.), think tanks, NGOs, global trust funds like the EIF, international agencies (ITC, etc.), regional bodies like the RECs. Most of DFID's aid for trade is however delivered through multi-lateral organisations.

**Q1.2 If your Aid for Trade Strategy has evolved since 2007, please describe the changes and/or new focuses.**

*Please describe and exemplify.*

The UK's new strategy builds on DFID's long standing work in the area of 'trade related assistance' . While we continue to champion the mainstreaming of trade in national development plans/PRSPs, and, building developing country trade and trade negotiating capacity, the strategy represents change in that it reflects our intention to step up our work around aid for trade across the board including: significantly increasing our engagement at the regional level working especially with regional organisations; contributing to the debate and new ideas around aid for trade and helping to further conceptualise the linkages between trade, inclusive growth and poverty reduction through a multitude of partners; increasing our joint work and engagement with key multilateral players such as the World Bank and the European Commission and active bilateral donors; and further efforts to communicate the benefits of aid for trade to a broader audience.

**Q1.3 Have you articulated a set of best practices in the design and/or delivery of Aid for Trade?**

Yes

No

Not sure/Not applicable

**If yes, what form does this best practice guidance take?**

*Please describe and exemplify.*

In the context of the joint EU aid for trade strategy, we are working with Sweden to produce best practice guidance on programming and delivery of aid for trade for pro-poor results. We are also developing a framework for evaluating our own aid for trade strategy, and will engage with the OECD in the development of guidelines for evaluating aid for trade programmes over the coming months. We are undertaking research which assesses how EPAs affect various economic factors and groups in society, with a view to disseminating a model for such impact assessments of various trade policies (EPAs, FTAs) more broadly.

## 2 HOW MUCH AID FOR TRADE DO YOU PROVIDE?

*For CRS Reporting Donors*

**Q2.1 Does the attached CRS profile accurately reflect the volume of your Aid for Trade?**

Yes

No

**If no, please provide further details of your Aid for Trade activities for 2006 and 2007.**

*Please add any data that are missing in their appropriate CRS categories, including those activities that should be considered as Aid for Trade under the category of "Other Trade-related Needs" and describe, if applicable, the method used to identify trade-related activities in the relevant CRS categories. Please also provide any activities that may fall under the new category of "Trade-related Adjustment" for 2006.*

The CRS data provides an incomplete picture of the volume of DFID's aid for trade as it focuses exclusively on

bi-lateral sectoral aid for trade. OECD data on General Budget Support is also excluded. Additionally, DFID began aligning its accounting system with the CRS in 2007. The shift means there are inconsistencies between data for 2006 and 2007. The volatility of DFID's commitments from year to year also make analyses of these difficult. Care should be taken when analysing trends across 2006 - 2007.

DFID's information system is currently focused on expenditure/disbursement and therefore the information we provide here is about our actual expenditure/disbursement rather than our commitments though, of course, both are linked.

In 2006/7, DFID disbursed £297.5m in General Budget Support and in 2007/8 it disbursed £366.45m - mostly in Africa and South Asia. In addition, over 60% of the UK's aid for trade is channelled through multi-lateral organisations such as the European Commission, African Development Bank and the World Bank. The UK was the largest single donor to IDA 15 and some 20% of its total budget is channelled through the European Commission. The UK will be spending significantly more aid for trade through multi-lateral channels in future years. The aid for trade reports of the multi-lateral organisations will from our perspective therefore become more and more important for the monitoring of aid for trade. Some cross reference between bi-lateral donor and multi-lateral donor reports would be useful. An agreed harmonised approach to the attribution of budget support would also be very useful. According to the UK's own statistics the UK's expenditure overall performance is as follows:

<b>Bilateral Aid For Trade</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Africa	57.1	82.9	117.9
South Asia	92	90.5	71.3
East/South East Asia	35.9	28.8	24.8
Other Asia	9.7	16.1	8.5
Latin America and Caribbean	6.1	6.8	4.0
Europe	10.2	5.3	6.4
Pacific*	2.3	0.4	0.1
Global Initiatives**	54.9	67.6	67.2
<b>Total Bilateral</b>	<b>268.2</b>	<b>298.4</b>	<b>300.2</b>
<b>Multi-lateral (inputed share)</b>	<b>240.2</b>	<b>454.1</b>	<b>500.3</b>
<b>Bi-lateral and Multi</b>	<b>508.4</b>	<b>752.5</b>	<b>800.5</b>

\*DFID no longer has a regional programme in the Pacific

\*\*Global initiatives are non country specific interventions. They include support and research in respect of WTO negotiations through to private sector infrastructure investment facilities, etc.

This questionnaire should be read with the attached explanatory note which gives more detailed information about the UK's aid for trade including break downs by aid for trade category.

*For non-CRS Reporting Donors*

**Q2.1 How much Aid for Trade did you provide in each of 2006 and 2007?  
Please also indicate the volume as percentage share of your total ODA.**

*Please use the WTO Task Force definition and include estimates of the value of in-kind Aid for Trade such as technical cooperation programmes.*

Total Aid for Trade as a share of total UK bilateral ODA (excl. Debt Relief and Equity Investments):

£ Millions		% Share of ODA	
2006	2007	2006	2007
298.4	300.3	10%	9%

Note that this is the bi-lateral only share of our aid for trade without General Budget support or multi-lateral shares - see Question 2.1.

*For All Donor Agencies*

**Q2.2 Do you have indicative forward spending plans that include estimates on Aid for Trade?**

Yes

No

Not sure/Not applicable

**If yes, please provide details of your indicative forward Aid for Trade spending plan.**

*Please delineate the plan per Aid for Trade category.*

The UK has two formal spending targets related to aid for trade agreed in 2005 and 2007 - \$100m against a narrow definition of aid for trade and £409m against a broader definition including infrastructure. We are currently forecasting against these minimum targets (see response to next question) at a regional level. We expect to exceed the broad target by a significant margin. We are establishing systems that will enable us to forecast comprehensive aid for trade by the end of 2009.

*For Donors who had made Aid for Trade pledges*

**Q2.3 Please describe how you are meeting your pledges? And how much progress in delivering your final pledges do you expect to have made in 2008 and 2009?**

*Please provide details and evidence in accordance with your accountability mechanism.*

We announced one formal pledge in 2005 : to increase our expenditure on specific elements of aid for trade to £100m a year by 2010. The elements include support around trade policy, trade regulations/facilitation, trade agreements/ negotiations and some elements of productive capacity. DFID has reformed its project identification system so that it is fully aligned with the CRS coding system. CRS codes are now included in all

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DFID projects and contributions. Prior to this DFID was knowingly under reporting aid for trade because it was too difficult to accurately identify all concerned projects through the unaligned system. Now DFID is able to capture data against each aid for trade relevant CRS code . We recorded expenditure of £87.9m in 2007 and we are on track to achieve the target.

In 2006, after taking into account the WTO Aid For Trade Task Force recommendations, we announced another pledge to increase a broader definition of aid for trade, from a baseline of \$500m in 2004/5, to at least \$750m a year by 2010. The definition includes the £100m target plus economic infrastructure (transport, communications, energy) and our imputed multi-lateral contributions. For accounting purposes the sum was fixed at £409m. We recorded expenditure of £463m in 2007/8 and expect to increase this significantly by 2010. This is partly due to an overall increase in our multilateral contributions, but also resulting from more ambitious new regional programmes.

NB See the attached explanatory note for target accounting methodologies.

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#### *For Multilateral Donors*

**Q2.4 Please describe how funding for your Aid for Trade activities is evolving**  
[e.g. share of activities funded from your agency's core (regular budget) vs. non-core (earmarked) resources, including multi-donor funds; likely trends in these categories].

Please describe.

Our overall aid for trade spending is on the rise. Within this, we are programming more regional bi-lateral assistance on the basis of our Africa Regional Strategy and this will become apparent in future reports. We are also providing more regional funds to the Caribbean, although our level of engagement is not comparable to that of Africa. In line with our commitment to double our aid to Africa by 2010 most of aid for trade is focused on Africa. Around 60% of the UK's aid for trade is delivered through multi-laterals. Multi-lateral aid for trade is set to increase as DFID progresses towards achievement of an overall 0.56% ODA/GNI ratio in 2010. We will continue to provide important levels of support to many global partnerships like the ICA, the EIF, ICF, etc.

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***Please feel free to provide any other relevant information in relation to the volume of your Aid for Trade.***

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## **3 IMPLEMENTATION: HOW ARE YOU DELIVERING AID FOR TRADE?**

### **Mainstreaming and Ownership**

**Q3.1 What measures have you undertaken to mainstream Aid for Trade in your overall assistance strategy?**

*Please describe and exemplify.*

The UK/DFID strategy has been approved at Ministerial level, published and disseminated. Trade and Growth have been announced as Ministerial level priorities, and we have formal spending targets related to aid for trade. We are pursuing a programme of internal outreach to sensitise our country offices to aid for trade.

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**Q3.2 In how many of the partner countries you support, are Aid for Trade concerns an important part of your policy dialogue with them (based on your best estimate)?**

- |  |  |                                     |                                    |  |
|--|--|-------------------------------------|------------------------------------|--|
| <input type="checkbox"/> less than 25% | <input checked="" type="checkbox"/> 25% to 50% | <input type="checkbox"/> 50% to 75% | <input type="checkbox"/> above 75% | <input type="checkbox"/> Not sure / Not applicable |
|--|--|-------------------------------------|------------------------------------|--|

**Q3.3 How many of your country assistance strategies contain trade or Aid for Trade elements (based on your best estimate)?**

- |  |  |                                     |                                    |  |
|--|--|-------------------------------------|------------------------------------|--|
| <input type="checkbox"/> less than 25% | <input checked="" type="checkbox"/> 25% to 50% | <input type="checkbox"/> 50% to 75% | <input type="checkbox"/> above 75% | <input type="checkbox"/> Not sure / Not applicable |
|--|--|-------------------------------------|------------------------------------|--|

**Q3.4 Has demand for Aid for Trade increased from partner countries since 2005?**

- |  |   |   |                                   |  |
|--|---|---|-----------------------------------|--|
| <input type="checkbox"/> Significantly increased | <input checked="" type="checkbox"/> Increased | <input type="checkbox"/> Little / no change | <input type="checkbox"/> Declined | <input type="checkbox"/> Not sure / Not applicable |
|--|---|---|-----------------------------------|--|

**If increased, from which countries / regions, and for which Aid for Trade categories / sectors?**

*Please describe and exemplify.*

The biggest demand, as reflected in our expenditure data, is coming from South of Sahara Africa for assistance to increase productive capacity, and, increase regional integration, as well as from the Caribbean.

**If increased, what steps have you taken to strengthen your capacity to respond to increasing demand for Aid for Trade from partner countries? Tick the box of all that apply:**

<input checked="" type="checkbox"/>	Increased aid resources
<input checked="" type="checkbox"/>	Strengthened in-house trade expertise
<input checked="" type="checkbox"/>	Improved training, tool-kits and/or guidelines for Aid for Trade programming
<input checked="" type="checkbox"/>	Increased awareness among policy-makers and practitioners at the HQ and the field
<input checked="" type="checkbox"/>	Strengthened political commitment
<input checked="" type="checkbox"/>	Increased coordination among donors (e.g. joint assessment, joint delivery, etc.)
<input type="checkbox"/>	<i>Please feel free to add other steps you have taken</i>

**Please feel free to provide any other relevant information in relation to mainstreaming and ownership.**

Since 2007, the UK has joined up its international trade and development Departments in a joint Trade Policy Unit, with a Minister dedicated to trade and development issues giving political oversight. This has helped raise the profile of aid for trade both internally and vis-à-vis external stakeholders and increase coherence. We are also establishing internal arrangements to deepen our trade and development work between HQ and country offices.

**Working with Others: Harmonisation and Alignment**

**Q3.5 In how many of the partner countries you support, have you contributed to the following joint donor initiatives?**

	< 10%	10-30%	> 30%
Joint needs assessment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Joint Aid for Trade strategy formulation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Joint Aid for Trade programme	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pool funding	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Joint monitoring and evaluation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Delegated cooperation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Q3.6 Do you have a specific approach to South-South and/or trilateral cooperation in Aid for Trade?**

Yes       No       Not sure/Not applicable

**If yes, what are its key elements or particular focuses?**

*Please describe and exemplify.*

**Q3.7 How much of your Aid for Trade is aligned with your partners' country systems (based on your best estimate)?**

less than 25%       25% to 50%       50% to 75%       above 75%       Not sure / Not applicable

**Please feel free to provide any other relevant information in relation to harmonisation and alignment.**

We cannot easily access specific aid for trade related information on harmonisation and alignment. However, we assume these interventions follow best practice. DFID has met the 2010 EU targets of 50% for use of country procurement (68%) and public financial management systems (77%). We have also achieved the target for use of common arrangements (71%); joint missions (61%) and joint country analytical work (69%). DFID supports implementation of the EU Code of Conduct on Division of Labour. We are operating delegated cooperation arrangements in 29 countries. DFID delivers all its bi-lateral support in alignment with partners

country systems and aid effectiveness principles.

## 4 MONITORING RESULTS, EVALUATION AND MUTUAL ACCOUNTABILITY

**Q4.1 Does your Strategy include specific monitoring and evaluation guidelines for Aid for Trade programmes?**

Specific to Aid for Trade

Generic guidelines

**If you do have specific guidelines, please provide the details of your Aid for Trade M&E framework. How often do you review progress towards your strategy objectives? Who do you report to?**

*Please describe and exemplify.*

DFID's strategy itself has just been approved. It will be monitored on an annual basis and evaluated by DFID's Evaluation Department at midterm (2010) and end (2013). We are currently at the stage of developing an approach paper and methodology. We will be able to include more detail in the next Aid For Trade questionnaire.

**Q4.2 Do you regularly monitor the potential trade impact of your aid projects / programmes?**

Yes

No

Not sure/Not applicable

**If yes, please describe how.**

*Please describe and exemplify.*

Yes, when trade related outcomes are included in the monitoring framework. Attribution of impact is a challenge.

**Q4.3 Do you have plans to improve the evaluation of your Aid for Trade programmes?**

*Please describe and exemplify.*

Yes, as above, we will be monitoring and evaluating the DFID Aid For Trade Strategy. We will also endeavour to work with the OECD to explore the option of developing guidelines or best practice for evaluation of aid for trade programmes.

**Q4.4 Have you carried out or do you plan to carry out an impact assessment of your Aid for Trade programmes?**

Yes: please indicate when: 2010

No

Not sure/Not applicable

**Q4.5 Do you involve partner country stakeholders in developing measurable objectives/indicators to assess the quality of your Aid for Trade programmes?**

Yes

No

Not sure/Not applicable

**If yes, please describe the indicators used.**

*Please describe and exemplify.*

Yes. The type of indicators will depend on the particular intervention. We do not keep a repository of indicators. However, DFID has recently agreed a set of standard quantitative performance indicators which include transport/road related indicators.

**Q4.6 Have you undertaken joint evaluations of your Aid for Trade with your partner country stakeholders?**

Yes

No

Not sure/Not applicable

**If yes, please describe when and the results of the evaluation.**

*Please describe and exemplify.*

Same reply as Q4.5, it does depend on the specific intervention. DFID's flagship evaluation will be of its aid for trade strategy. This is expected to be linked to country level evaluations.

***Please feel free to provide any other relevant information in relation to monitoring, evaluation and mutual accountability.***

As aid for trade is such a broad concept, one must take account of existing evaluation guidelines for all those themes and sectors falling under the aid for trade banner. The opportunity of developing specific aid for trade programme evaluation guidelines needs further thought and testing. We hope to engage with OECD and others in such an exercise.

## 5 REGIONAL DIMENSION

**Q5.1 How important is the regional dimension in your Aid for Trade strategy?**

Essential element

Important element

Minor element

Not present

Not sure / Not applicable

**If essential or important, please describe how your Aid for Trade strategy addresses regional challenges.**

*Please describe and exemplify.*

Building on DFID's new Africa Regional Strategy DFID will increase its focus on East, Southern and West Africa as well as the Pan Africa level in line with the priorities of the African Union, NePAD, UNECA, ECOWAS and the EAC-COMESA-SADC Task Force. DFID will also strengthen regional engagement with CARICOM in the Caribbean. For instance at the time of the Caribbean EPA signing in November 2008, DFID agreed to contribute £10m to

the CARICOM Development Fund. Much of our support will help boost ACP regions and their ability to respond favourably to the opportunities EPAs can bring. We will increase our level of regional support and we have an expanding network of regional trade advisors.

**Q5.2 Which of the following factors are important for determining whether or not to support particular regions or regional programmes? Please list in the order of importance.**

<input checked="" type="checkbox"/>	Relevance to ongoing regional trade agreements / negotiations
<input type="checkbox"/>	Regional proximity / support to neighbouring regional economic integration processes
<input type="checkbox"/>	Cultural, linguistic or historical ties with the region
<input checked="" type="checkbox"/>	Existence of a viable counterpart at regional level
<input checked="" type="checkbox"/>	Request for assistance from a regional body
<input type="checkbox"/>	Availability of a clearly defined regional development strategy
<input checked="" type="checkbox"/>	Geographical concentration of donor activities
<input type="checkbox"/>	<i>Other, please describe</i>

**Q5.3 By how much has the volume of your regional Aid for Trade increased since 2005?**

- |                                   |  |                                      |                                       |   |
|-----------------------------------|--|--------------------------------------|---------------------------------------|---|
| <input type="checkbox"/> Declined | <input type="checkbox"/> By less than 5% | <input type="checkbox"/> By 5 to 15% | <input type="checkbox"/> By 15 to 30% | <input checked="" type="checkbox"/> More than 30% |
|-----------------------------------|--|--------------------------------------|---------------------------------------|---|

**Q5.4 In which assistance categories are you particularly active at regional level?**

	Frequently	Occasionally	Rarely	Not sure / Not applicable
Training (trade negotiations/WTO rules)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade facilitation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Development of cross-border infrastructure	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capacity building of regional organisations	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Other, please describe and exemplify*

**Q5.5 What are the most important challenges in implementing regional Aid for Trade? Please list in the order of importance.**

<input checked="" type="checkbox"/>	Lack of (or weak) articulated demands for regional Aid for Trade
<input checked="" type="checkbox"/>	Lack of coherence between national and regional priorities
<input type="checkbox"/>	Lack of credible lending authorities at regional level
<input checked="" type="checkbox"/>	Lack of effective coordination at regional level
<input type="checkbox"/>	Difficulties of monitoring and evaluating results at regional level
<input type="checkbox"/>	Lack of credible mutual accountability mechanisms at regional level
<input type="checkbox"/>	<i>Other, please describe and exemplify</i>

**Q5.6 Has the demand for regional Aid for Trade increased since 2005?**

- |  |   |   |                                   |  |
|--|---|---|-----------------------------------|--|
| <input type="checkbox"/> Significantly increased | <input checked="" type="checkbox"/> Increased | <input type="checkbox"/> Little / no change | <input type="checkbox"/> Declined | <input type="checkbox"/> Not sure / Not applicable |
|--|---|---|-----------------------------------|--|

**If yes, in which regions and for which activities has it increased the most?**

*Please describe and exemplify.*

UK expenditure for regional activities is expected to increase significantly (see paragraph below for one example of new programming) as important new regional, Pan African and global programmes are agreed and implemented . This increase will be reflected from 2008. DFID's bi-lateral expenditure data shows an increase in spending in Africa in the category 'building productive capacity' from £43.08m in 2005 to £99.3m in 2007.

***Please feel free to provide any other relevant information in relation to regional Aid for Trade.***

In 2008 the UK launched the £20 million Regional East Africa Integration Programme (REAP). Over the next 5 years, REAP will support the development of the region's key transport corridors (helping to speed up and increase trade); assist national governments to negotiate and implement the East African Community integration agenda, and, support the business sector and civil society to understand and communicate the benefits of regional integration. Similar programmes are being developed for West and Southern Africa.

## **UNITED KINGDOM : AID FOR TRADE IN 2006 AND 2007**

### **Introduction**

1. This explanatory note sets out the UK's approach to aid for trade, progress in 2006 and 2007, and the methodologies that are used to measure the UK's full contribution to the initiative. *The methodologies are more comprehensively explained in the attached Annex.* The UK's aid for trade is delivered by the Department For International Development (DFID).

2. In October 2006 the WTO adopted the recommendations of the aid for trade task force. These recommendations defined, for the first time, the coverage of aid for trade: *trade policy and regulations; trade development; ; productive capacity; infrastructure; adjustment other trade related needs* (these categories encompass a significant proportion of ODA). The European Union adopted its own Aid For Trade Strategy in October 2007.

### **The UK's Aid For Trade Strategy**

3. DFID published its own strategy towards the end of 2008. This is a complement to the EU strategy. DFID's strategy outlines how it will work at the country, regional and global levels to build developing countries' capacity to trade more effectively and competitively.

DFID will :

- a) Build countries' capacity to trade through national growth and competitiveness strategies.
- b) Make sure trade results in poverty reduction and inclusive growth
- c) Facilitate regional trade and integration and ensure that EPAs are beneficial for ACP partners.
- d) Help build an international system that delivers more and better Aid For Trade.

### **The UK's Approach to Aid For Trade**

4. In line with our commitment to double our aid to Africa by 2010 most of aid for trade is focused on Africa. Most of the UK's aid for trade is and will continue to be delivered through multi-lateral organisations. Multi-lateral aid for trade is set to increase as DFID progresses towards achievement of an overall 0.56% ODA/GNI ratio in 2010.

5. Aid For Trade (multi-sectoral and cross-border by nature) is particularly suited for delivery through international institutions because they are able to mobilise collective action and deliver more effectively in the area of economic infrastructure. Importantly, working through multi-laterals is consistent with aid

effectiveness principles; fewer players and transaction costs and more coherence. Over 60% of the UK's for trade was delivered multi-laterally in 2006 and 2007. The UK's total bi-lateral aid for trade plus contributions through multi-lateral organisations increased from £752.60m in 2006 to £800.50m in 2007.

### **Identifying UK expenditure as Aid For Trade and accounting for it**

6. In 2008 DFID reformed its project identification and reporting system so that it is fully aligned with OECD reporting standards and the CRS coding system. CRS codes are now attached to all DFID projects and contributions and from 2008 are able to capture the new aid for trade 'adjustment' category. Prior to 2008, DFID was knowingly under reporting aid for trade expenditure because it was too difficult to accurately identify all aid for trade projects through DFID's old unaligned system. Now DFID is able to capture data against each aid for trade relevant CRS code. Some multi-sectoral projects have several CRS aligned codes each with a percentage attached. However, OECD allocates all financial data for each project to the main CRS code. Therefore DFID's own break-down of its aid for trade expenditure is more detailed and DFID totals are different to those in the OECD report.

### **Commitments and Disbursements**

7. The transition to OECD reporting standards was combined with a major upgrade to DFID's finance and management accounting system. The migration to the new system resulted in an incomplete 2007 Aid For Trade commitment data set being reported to the OECD. This resulted in a false reduction from \$568m in 2006 to \$310m in 2007. DFID's records currently show a commitment level of over \$650m for 2008 reflecting a restored data set and a moderate increase over 2006 .

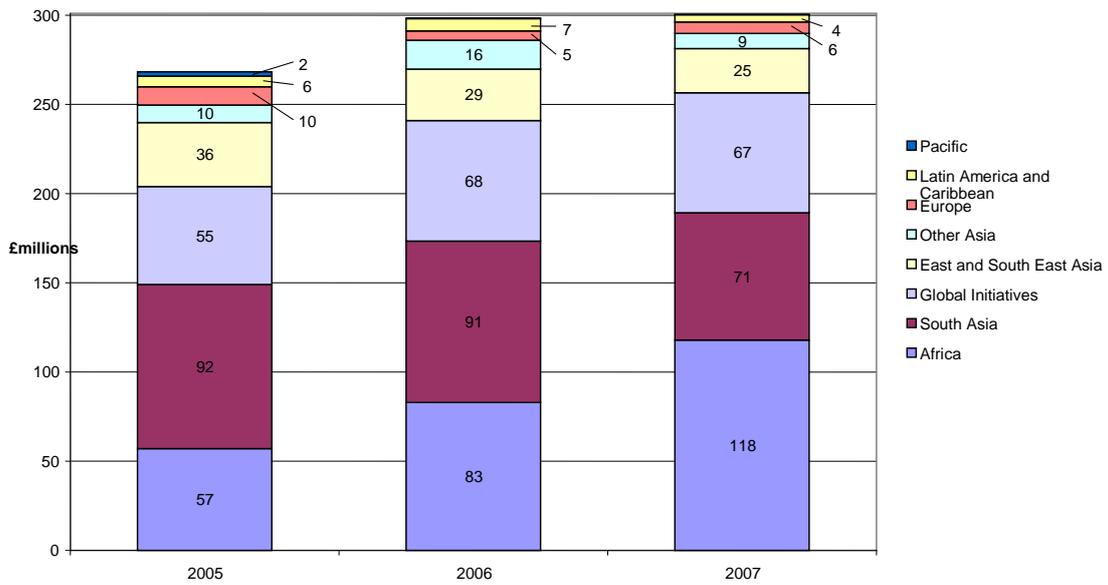
8..DFID's statistical database is focused on actual expenditure/disbursements rather than commitments which can be volatile and are not very relevant to delivery, outputs or results. Therefore this note focuses on actual expenditure/disbursements. DFID's disbursement statistics are published annually. The 2008 statistics are available on the DFID website: <http://www.dfid.gov.uk/pubs/files/sid2008/contents.asp>

9. DFID's accounting is carried out in UK financial years (April-March). Where possible we have converted data to calendar years (January to December).

### **The UK's bi-lateral Aid For Trade by region**

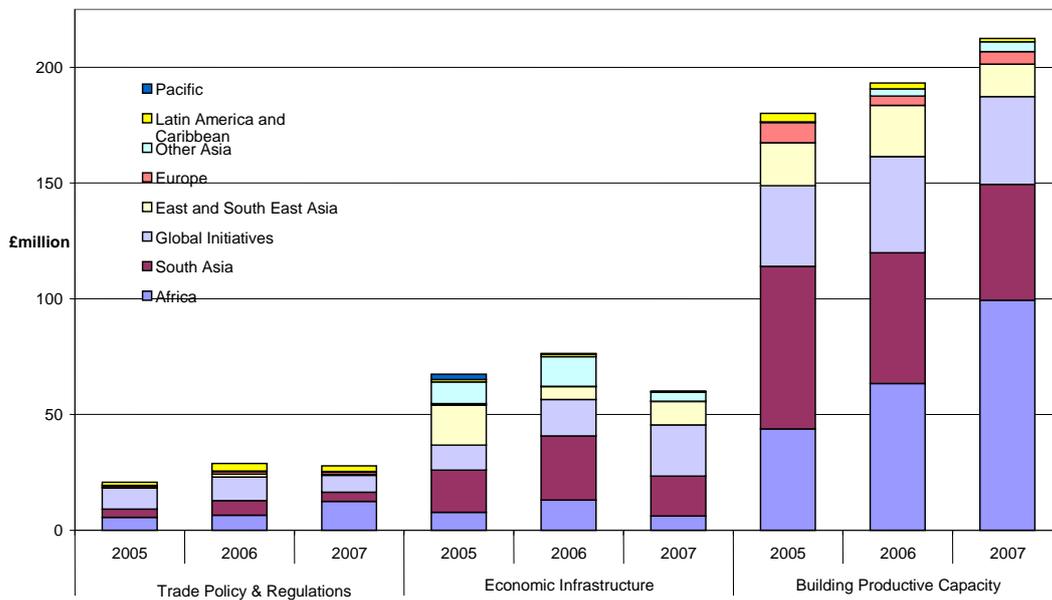
10. The table below shows that most of the UK's bi-lateral aid for trade is delivered to African countries:

DFID Bilateral Expenditure on Aid for Trade Activities 2005 - 2007, by Region



11. The next table show the UK's bi-lateral aid for trade by sector and region:

DFID Bilateral Expenditure on Aid for Trade Activities, 2005 - 2007, by Type of Activity and Region



### Attribution of General Budget Support (GBS) as Aid For Trade

12. In 2006/7 DFID disbursed total ODA of £297.55m in the form of GBS in South Saharan Africa and in 2007/8 disbursement amounted to £333.46. The following table shows a break-down of notional aid for trade GBS by calendar year (Asia also received a modest amount of aid for trade GBS):

	2005	2006	2007
Africa	42 415	61 722	57 841
Asia	5 180	6 480	1 950
Total	47 595	68 202	59 791

## The Big Picture : UK's Bi-lateral and Imputed Share of Multi-lateral Aid For Trade

13. Aid for trade includes economic infrastructure eg communications, energy and transport, and, productive capacity from business and banking through to the development of agriculture, forestry and fisheries.

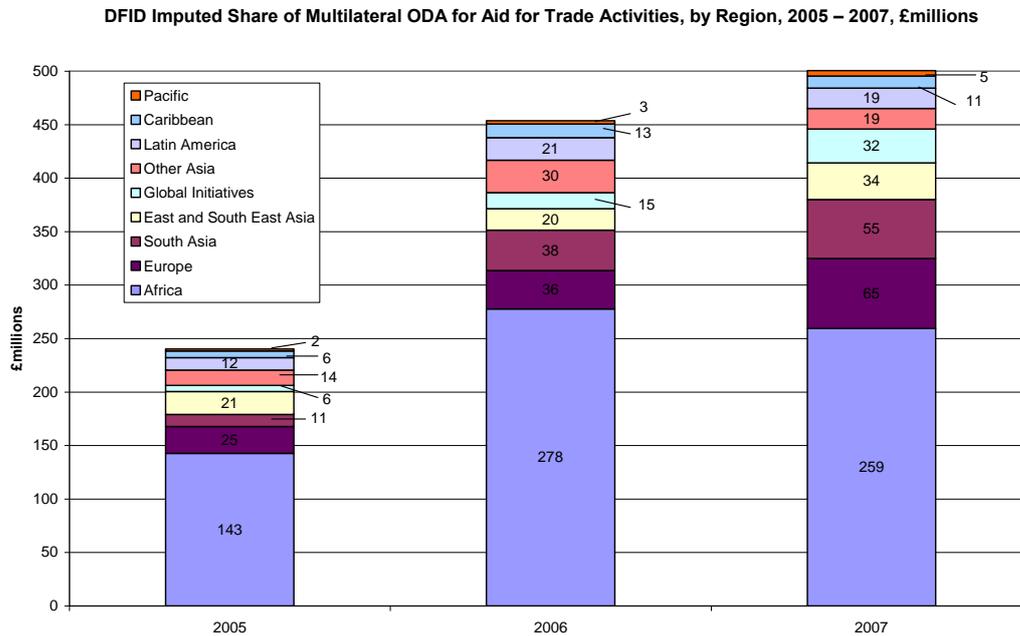
14. Aid for Trade requires a stronger regional or multiple country focus. This shift means that the multi-lateral organisations and regional development banks have important roles to play in delivering aid for trade along-side and in collaboration with bi-lateral donors. Many bi-lateral donors are also shareholders in these multi-lateral organisations. DFID is a major shareholder and is, for instance, the biggest contributor to IDA 15.

15. DFID includes DFID's imputed multi-lateral shares in official statistics which are published annually. This attribution is not possible in the OECD's Creditor Reporting System (CRS) and so we supply it here. Around 60% of DFID's aid for trade was delivered through multi-lateral organisations in 2006 and 2007. A total of 43% of DFID's overall ODA funding was channelled through multi-laterals in 2006/7. The multi-lateral share is expected to increase as DFID progresses towards its 2010 0.56% GNI target.

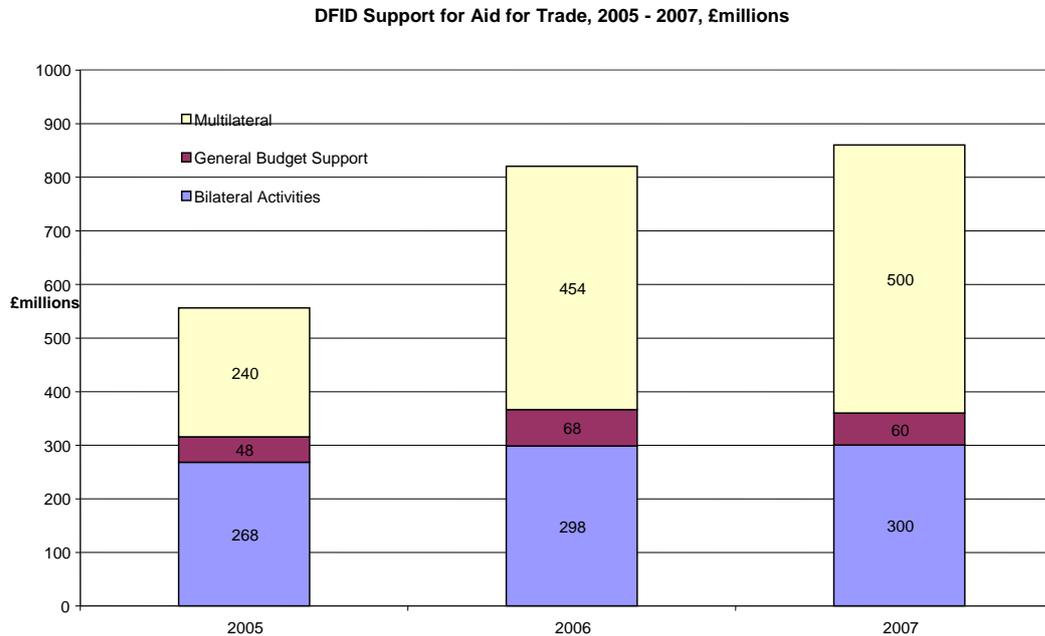
16. The table below shows the break-down of DFID's bi-lateral and multi-lateral contributions by aid for trade category (sub-totals are slightly different to the regional totals in the 2009 OECD questionnaire).

£ millions	2005	2006	2007
<b>Bilateral Aid For Trade</b>			
Trade Policy & Regulations	20.7	28.8	27.8
Building Productive Capacity	180.1	193.2	212.5
Economic Infrastructure	67.4	76.4	60.0
<b>Sub-totals</b>	<b>268.2</b>	<b>298.4</b>	<b>300.3</b>
<b>Multi-lateral Aid For Trade (Imputed shares)</b>			
Trade Policy & Regulations	9.9	28.8	24.1
Building Productive Capacity	89.6	180.3	185.3
Economic Infrastructure	140.8	245.1	290.8
<b>Sub-totals</b>	<b>240.3</b>	<b>454.2</b>	<b>500.2</b>
<b>Bi-lateral and Multi-lateral (imputed shares)</b>			
Trade Policy & Regulations	30.6	57.6	51.9
Building Productive Capacity	269.7	373.5	397.8
Economic Infrastructure	208.2	321.5	350.8
<b>Totals</b>	<b>508.5</b>	<b>752.6</b>	<b>800.5</b>

17. The following graph shows DFID's imputed share of multi-lateral aid for trade by region:



18. DFID's total aid for trade including the notional GBS component and imputed multi-lateral shares is captured in the following graph:



## The UK's Bi-lateral Aid For Trade and Spending Targets

### a) The Narrow Target

19. DFID is on track to achieve Tony Blair's 2005 pledge to increase its aid for trade to £100m by 2010. Progress towards this target contributes to the EU

target to deliver € 1 billion by 2010. Both targets are limited to a 'narrow' definition of aid for trade that was current before 2006 when aid for trade or 'trade related capacity building' (TRCB), as it was known then, was concerned with trade policy and regulations with some limited involvement in 'trade development' (selected elements of 'productive capacity'). Prior to 2008, DFID counted projects under the old DFID projects markers 'trade & investment' and 'private sector development'. These markers are now superseded by DFID's new DAC aligned accounting system. The methodology for counting towards the £100m target is provided in the Annex.

20. The following table and graph give a break down of UK's actual spend against the 'narrow' target by region:

	2005	2006	2007
Africa	25.8	23.4	33
South Asia	14.4	21.7	20.3
East and South East Asia	4.8	7.6	4.2
Other Asia	-3.3	1.1	2
Latin America	1.6	3.9	2.7
Caribbean	1.7	1.4	1.0
Europe	5.8	3.4	4.7
Non country specific initiatives	26.2	26.4	20
<b>Total</b>	<b>77</b>	<b>88.9</b>	<b>87.9</b>

## b) The Broad Target

21. In September 2006 Gordon Brown announced that DFID would increase aid for trade to \$750m or £409m by 2010/11. This includes the £100m target plus economic infrastructure plus our related imputed multi-lateral shares. Latest projections show that DFID will comfortably exceed the target by 2010/11. In 2007/8 DFID recorded total expenditure of £463m.

## HOW DFID COUNTS AID FOR TRADE : TARGETS, IMPUTED MULTILATERAL SHARES AND NOTIONAL GENERAL BUDGET SUPPORT

### 1. Sector Expenditure Estimates and DFID's Input Sector Codes

1.1 Every bilateral DFID project is marked with up to eight 'input sector codes' that identify where funding will be spent. For each sector code selected, budget holders indicate what proportion of each project commitment is expected to be spent in or on behalf of that sector. This allows a detailed analysis of the sectors DFID supports. Many DFID projects are multi-sectoral.

1.2 When reporting data to the DAC CRS database only one sector can be identified per project. DFID allocates a single 'primary' sector to each project for CRS reporting based on the 'input sector code' with the highest percentage attached. This can lead to DFID and the CRS database having different estimates of DFID's aid for trade expenditure.

### 2. Methodology to measure progress towards the a narrow definition of aid for trade to £100m a year by 2010 (bi-lateral only)

2.1 This target will be measured using expenditure coded against 13 input sector codes or elements. Expenditure against these codes for 2004 – 2007 is as follows:

#### Bilateral Expenditure (£millions)

Input Sector Code	Name	2005	2006	2007
25010	Business support services and institutions	-	-	0.0
31110	Agriculture Policy and admin mgt	17.0	20.9	24.1
31210	Forestry Policy and admin mgt	5.6	5.7	4.1
31310	Fishing Policy and admin mgt	5.2	3.8	1.8
32110	Industrial Policy and admin mgt	-	-	-
32130	SME development	24.9	27.9	27.2
32210	Mineral/mining policy and admin	3.5	1.8	3.0
33110	Trade policy and admin mgt	20.7	28.8	27.4
33120	Trade facilitation	-	-	-
33130	Regional trade agreements	-	-	-
33140	Multilateral trade negotiations	-	-	-
33181	Trade education/training	-	-	-
33210	Tourism Policy and admin mgt	-	-	-
<b>Total Bilateral Aid for Trade</b>		<b>77.0</b>	<b>88.9</b>	<b>87.9</b>

### 3. Methodology for measuring expenditure against the £409m 'broad' spending target (including imputed multi-lateral shares)

3.1 The broad target is to increase related spending to £409 million per year by 2010/11. It includes *the £100m target plus economic infrastructure (transport, communications, energy) plus DFID's imputed multi-lateral shares for each relevant sub-category of aid for trade.*

3.2 Measurement of this target can be split into two elements:

- a. bilateral expenditure
- b. multilateral expenditure

#### Bilateral Expenditure

3.3 Twenty-four DFID input sector codes are used to capture the bilateral element. Expenditure against these codes for 2004/05 – 2007/08 is as follows:

#### Bilateral Expenditure (£millions)

Input Sector Code	Name	2005/06	2006/07	2007/08
21010	Transport policy and admin mgt	38.4	27.6	28.7
21021	Road transport: excl rural feeder roads	-	-	-
21022	Road transport: inc rural feeder roads	-	-	-
21031	Other transport	-	-	0.1
22010	Communications policy and admin mgt	8.4	13.0	11.0
22020	Telecommunications	-	-	-
22030	Radio/television/print media	-	-	-
22040	Information and communication technology	-	-	-
23010	Energy policy and admin mgt	27.8	30.1	28.0
23020	Power generation/non-renewable	-	-	-
23030	Power generation/renewable	-	-	-
25010	Business support services and institutions	-	-	0.0
31110	Agriculture Policy and admin mgt	14.7	24.5	22.7
31210	Forestry Policy and admin mgt	6.7	5.2	2.4
31310	Fishing Policy and admin mgt	3.0	4.6	1.3
32110	Industrial Policy and admin mgt	-	-	-
32130	SME development	27.4	28.7	31.0
32210	Mineral/mining policy and admin	2.9	1.7	2.8
33110	Trade policy and admin mgt	24.3	33.7	31.3
33120	Trade facilitation	-	-	-
33130	Regional trade agreements	-	-	-
33140	Multilateral trade negotiations	-	-	-
33181	Trade education/training	-	-	-
33210	Tourism Policy and admin mgt	-	-	-
<b>Total Trade and Economic Infrastructure</b>		<b>153.7</b>	<b>169.0</b>	<b>159.4</b>

Note: Codes with no expenditure had no equivalents under DFID's old (pre 2008) project identification system eg all trade related expenditure was

included under the DFID code 'Trade & Development'. Expenditure is expected to accrue in future years against the new DAC aligned codes.

### Multilateral Expenditure (imputed shares)

3.4 DFID is not able to directly track its multilateral expenditure to the detailed sector level. As such, the share of DFID's multilateral expenditure that goes to trade and economic infrastructure sectors is estimated by establishing the proportion of its Official Development Assistance (ODA) each multilateral spends in the relevant sectors.

3.5 Multilateral organisations report a breakdown of their commitments to the Development Assistance Committee (DAC) using DAC sector codes. To estimate DFID's multilateral trade and economic infrastructure expenditure the total commitment by each multilateral organisation on relevant DAC sector codes (see Annex 1) is divided by each multilaterals total commitment in each year. This gives a proportion that is applied to DFID's total ODA eligible contributions to the multilateral in each year to give an estimate of DFID's spending through each multilateral on trade and economic infrastructure.

### DFID Imputed Share of Multilateral ODA to the broad target (£thousands)

Multilateral	2006 Trade elements and Economic Infrastructure Proportion	2006/07 Imputed share	2007/08 Imputed Share <sup>1</sup>
IDA	20.7%	101.9	101.9
EC	22.0%	179.4	187.7
Asian Dev. Fund	14.1%	8.1	4.0
African Dev. Fund	16.9%	24.8	10.1
<b>Total</b>		<b>314.2</b>	<b>303.7</b>

<sup>1</sup> Provisional; based on 2006 DAC data, 2007 DAC data available December 2008.

Note: The same principle of calculation is applied to the remaining aid for trade categories to obtain total imputed shares by aid for trade category.

### Progress towards broad target, £millions

	2004/05	2005/06	2006/07	2007/08
Total Bilateral	134.7	153.7	169.0	159.4
Total Multilateral	149.3	181.9	314.1	303.7 <sup>1</sup>
<b>Total</b>	<b>284.0</b>	<b>335.6</b>	<b>483.1</b>	<b>463.1<sup>1</sup></b>

<sup>1</sup> Provisional; based on 2006 DAC data, 2007 DAC data available December 2008.

### **List of codes used for broad target**

21000	Transport and storage
21010	Transport policy and admin management
21020	Road transport
21030	Rail transport
21040	Water transport
21050	Air transport
21061	Storage
21081	Education/training in transport and storage
22000	Communications
22010	Communications policy and admin management
22020	Telecommunications
22030	Radio/television/print media
23000	Energy generation and supply
23010	Energy policy and admin management
23020	Power generation/non-renewable resources
23030	Power generation/renewable resources
23040	Electrical transmission/distribution
23050	Gas distribution
23061	Oil-fired power plants
23062	Gas-fired power plants
23063	Coal-fired power plants
23064	Nuclear power plants
23065	Hydro-electric power plants
23066	Geothermal energy
23067	Solar energy
23068	Wind power
23069	Ocean power
23070	Biomass
23081	Energy education/training
23082	Energy research
33110	Trade Policy and Administration
33120	Trade Facilitation
33130	Regional Trade Agreements
33140	Multilateral Trade Negotiations
33181	Trade education/training
32130	SME development

#### **4. Methodology for the attribution of General Budget Support**

3.1 A large amount of DFID funding is delivered in the form of Poverty Reduction Budget Support (PRBS) both General Budget Support (GBS) and Sector Budget Support (SBS). In PRBS, funds are provided directly to recipient governments and pooled with their own funds. Partner governments then use their own allocation, execution, accounting and reporting systems in spending the aid to support their development programmes. Understanding how the UK's money is used therefore means understanding the way in which

the recipient government allocates and uses all its funds. In managing PRBS, DFID country offices monitor this process closely.

3.2 PRBS cannot be separately identified from partner government funds and while Sector Budget Support, by its very nature, is easily allocable to sectors, General Budget Support cannot be easily broken down. For statistical purposes, DFID has developed a standardised methodology to notionally allocate General Budget Support to sectors in the same proportions as the recipient government allocates total resources to ODA eligible activity. This means, for example, if a government intends to spend 25 per cent of its budget on education, 25 per cent of GBS provided would be attributed to education. This method allows GBS to be allocated to eight broad sectors.

3.3 It is important to note that this methodology does not attempt to say where DFID funding actually goes, but where it would go if partner governments allocated it in proportion to their own budget. The methodology also does not attempt to measure, or claim to measure, marginal changes in governments' expenditure resulting from aid flows.