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Review of progress of the EU and its Member States

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COMMISSION STAFF WORKING DOCUMENT

**EU Accountability Report 2012 on Financing for Development
Review of progress of the EU and its Member States**

Accompanying the document

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**Improving EU support to developing countries in mobilising Financing for
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**Recommendations based on the 2012 EU Accountability Report on Financing for
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{COM(2012) 366 final}

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Annex 4 - Aid for Trade Report for 2011

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1. MAIN MESSAGES

The European Union (EU) and its Member States are longstanding providers of development assistance in support of increased international and regional trade.

Since 2007, the EU and its Member States have been driving the global Aid for Trade (AfT) efforts, confirming again in 2010 the EU's position as collectively the largest provider of AfT in the world. Indeed, the EU and Member States accounted for around 32% of total AfT flows in 2010, reaching more than EUR 10.7 billion (EUR 8.2 billion from EU Member States and EUR 2.5 billion from the EU), an increase of 4.2% in comparison with last year.

As highlighted in last year's AfT monitoring report, the EU and its Member States had already met their 2010 EUR 2 billion target for Trade Related Assistance (TRA) in 2008 and in 2009. TRA remained over the target in 2010, at EUR 2.6 billion, but for the first time since 2005 there was a decrease if compared to the previous year (- 0.2 billion or -8% on 2009) Nevertheless EU and its Member States remain the major providers of TRA, with 60% of total TRA commitments.

Beyond increasing AfT volumes, the EU AfT Strategy is focused on enhancing the impact of the support. This year's AfT monitoring exercise demonstrates that EU and Member States continue to advance in the implementation of EU AfT Strategy through a continued effort to increase the impact of AfT delivery. It also shows important complementarities between the EU and its Members States in terms of categories and sectors, size of projects, instruments used and geographical coverage.

The responses to the AfT questionnaire from EU Delegations elaborated together with EU MS field offices indicate a progressive improvement in terms of partner-donor policy dialogue, joint operations and harmonisation, the inclusion of strategic regional economic integration priorities into the national development plan or trade strategy. Despite the progress, there is the need for a better targeted, result-oriented and coordinated AfT as part of the aid and development effectiveness agenda, by encouraging developing countries to integrate trade as a strong component in their development instruments.

To further bolster the effectiveness of AfT, and as a result of this year's reporting, additional efforts by EU and Member States will be made in the following key areas:

- More attention should be paid to LDCs and developing countries most in need through mainstreaming of trade in their national and regional development strategies and a better use of existing multi-country instruments like the Enhanced Integrated Framework (EIF) to identify their needs and priorities.
- Better coordination and dialogue between Commission and MSs to align to development strategies of partner countries as much as possible, supporting efforts to integrate inclusive and sustainable growth dimension in these strategies.
- AfT strategy should continue supporting regional and continental integration efforts (including South- South initiatives) through partners' policies in areas such as markets, infrastructure and cross border cooperation on water, energy and security.

- Need for more transparency and efficiency in trade policy making. EU Questionnaires show that while in three quarters of AfT beneficiary countries trade is a regular topic of discussion, it seems that civil society is little involved in the AfT dialogue. The role of civil society, including private sector, is very important to legitimate trade policy at the domestic level.
- Continue the support to partner countries' own monitoring of results and impact of Aid for Trade and the progress of their trade development strategies. According to the findings of the field questionnaire, obtaining in-country data and defining suitable indicators remain the main challenges in assessing AfT programmes and projects.

2. PRELIMINARY REMARKS

Aid for Trade entered the WTO agenda with the Doha Development Round. In 2005, several donors, including the EU and its Member States, made commitments to increase their trade-related support. In December 2005, the WTO Ministerial Conference in Hong Kong set up a Task Force to ‘operationalize Aid for Trade’.

In its 2006 recommendations, this Task Force stated that ‘Projects and programmes should be considered as Aid for Trade if these activities have been identified as trade-related development priorities in the recipient country’s national development strategies’. It specified six groups of activities that it considered to constitute Aid for Trade: Trade Policy and Regulation (category 1), Trade Related Infrastructure (category 3), Building Productive Capacity (category 4, including trade development), Trade Related Adjustment (category 5) and Other Trade Related needs (category 6). Categories 1, 2 and 6 (category 2 is a subset of category 4) correspond to standard Trade Related Assistance (TRA) and categories 1, 3, 4, 5 and 6 are usually referred as ‘the wider Aid for Trade agenda’ or AfT¹.

Different sources of information on AfT flows are available. The 2012 AfT monitoring report is based on four main sources of information:

- The OECD Creditor Reporting System (CRS) database is the most comprehensive and accurate database available on AfT flows for the period 2000-2010. It does not report on AfT flows from new EU Member States (only the EU and 15 Member States report to the OECD CRS as DAC members), on trade development markers before 2007 (important to identify category 2) and on category 6 data.
- The Doha Development database is a publicly available database on Trade Related Assistance (TRA) flows over the period 2001-2007. It is provided by the World Trade Organization (WTO) through the Doha Development Agenda website (tcdbd.wto.org). This database is particularly useful for historical evaluations of TRA for the period 2001-2006/2007, and particularly for category 2 (Trade Development).
- The Monterrey Questionnaires, sent annually to EU MS for the monitoring of the EU commitments on financing for development, provide useful information on AfT flows. These questionnaires are particularly useful to obtain data from new EU MS, on which

¹ See Appendix 1.

AfT figures are not available in the primary sources of data (OECD CRS and Doha Development Agenda Database) and data regarding category 6.

- Replies to the AfT Questionnaires from EU Delegations coordinated with MS field offices in Developing Countries. The questionnaire is an important tool for the qualitative assessment of AfT activities.

3. PROGRESS IN EU AID FOR TRADE FLOWS

EU and Member States adopted a joint AfT Strategy on 15 October 2007 which aims at supporting all developing countries, particularly the Least Developed Countries (LDCs), to better integrate into the world trading system and to use trade more effectively in promoting the overarching objective of eradicating poverty in the context of sustainable development.

EU commitments

In 2007, the *EU Aid for Trade Strategy*² aimed at increasing financial resources for Aid for Trade and improving its impact on poverty reduction. In particular, the EU committed to:

- *Increasing EU Aid for Trade in coherence with the gradual increase of overall EU aid;*
- *Enhancing the Pro-poor Focus and Quality of EU AfT;*
- *Increasing EU-wide and Member State donors' capacity in line with globally agreed aid effectiveness principles;*
- *Building upon, fostering and supporting ACP regional integration processes with an ACP specific angle of EU AfT.*

The *EU AfT Strategy* confirmed the 2005 EU commitment, pledging to strive to increase its collective Trade Related Assistance expenditure to EUR 2 billion per year by 2010, with EUR 1 billion coming from the EU and EUR 1 billion from the Member States.

3.1 Wider Aid for Trade

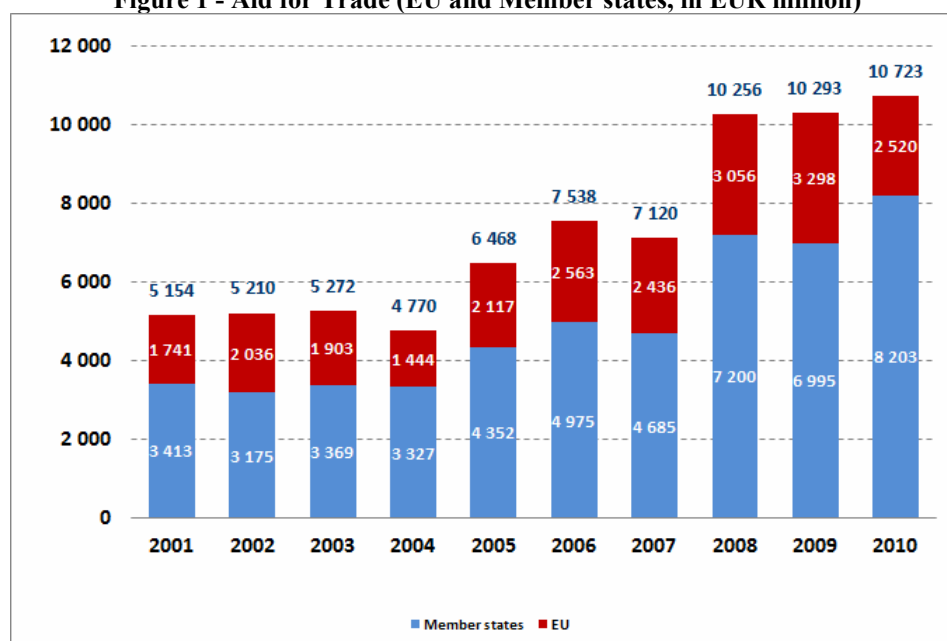
Main trends

Following a strong increase observed in 2008 (+44%), last year's report (with data for 2009) indicated an all-time high of collective EU and Member States Aid for Trade commitments. In 2010 AfT commitments continued to increase but at a slower pace of +4.2%, reaching a total of almost EUR 10.7 billion.

The 2010 increase in collective AfT was due to EU Member States (+17% compared to 2009), mainly explained by new German AfT commitments (+77%), while from the EU the volume decreased (-24%).

² Council Conclusions on "The EU Strategy on Aid for Trade: Enhancing EU support for trade-related needs in developing countries", 14470/07, 29 October 2007.

Figure 1 - Aid for Trade (EU and Member states, in EUR million)



Sources: OECD CRS, Monterrey Questionnaires, EU

In 2010, Germany was the major AfT contributor among EU and EU Member States, with EUR 3.3 billion committed. It was followed by the EU, with EUR 2.5 billion committed, France (EUR 1.3 billion, +17% compared to 2009) and Spain (EUR 1.0 billion, +52% compared to 2009).

Table 1 - Amounts of AfT by Country: 2001-2010

In EUR million	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Austria	15	63	21	17	27	26	44	51	58	68
Belgium	114	186	135	178	155	156	209	221	389	315
Bulgaria						0	0	0	0	0
Cyprus						-	-	-	-	-
Czech Rep.						3	3	0	0	0
Denmark	81	206	188	367	410	189	255	173	251	314
Estonia						0	0	0	0	0
Finland	31	41	38	43	100	64	84	135	256	195
France	635	329	466	527	722	744	1 017	1 738	1 090	1 277
Germany	962	816	776	889	1 138	1 495	1 213	2 036	1 889	3 345
Greece		6	4	12	14	22	11	10	13	15
Hungary						-	-	-	-	-
Ireland	19	19	22	26	20	29	30	52	44	49
Italy	105	164	187	70	310	239	111	186	197	131
Latvia						0	0	0	0	-
Lithuania						0	0	1	0	0
Luxembourg	3	2	15	14	11	12	27	28	22	26
Malta						-	-	-	-	-
Netherlands	343	463	303	461	384	686	510	466	482	424

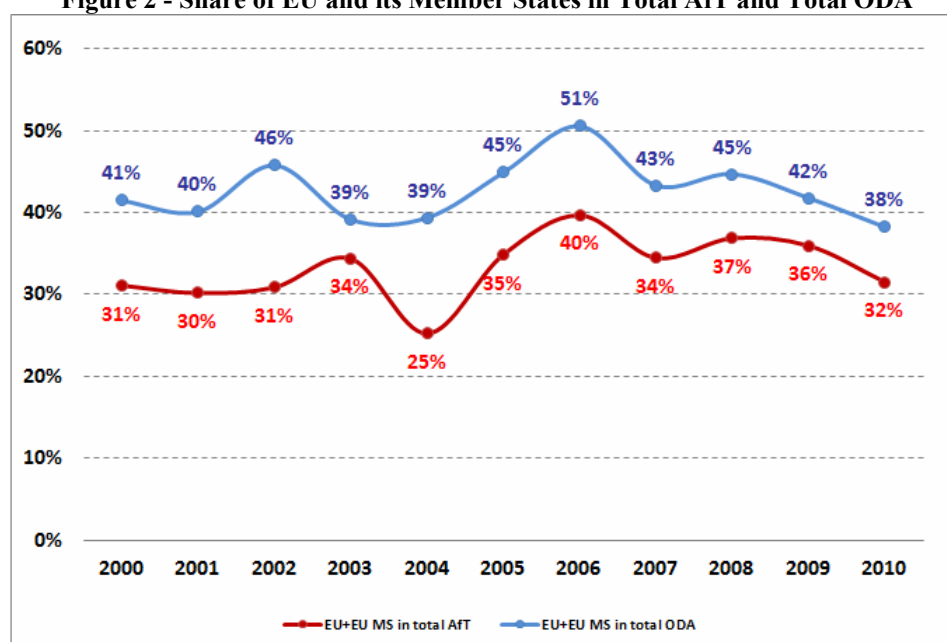
Poland						-	-	0	-	-
Portugal	30	17	8	41	61	7	47	13	66	41
Romania						-	0	0	-	1
Slovakia						-	-	-	-	-
Slovenia						1	1	2	0	2
Spain	253	306	366	247	135	561	474	622	660	1 002
Sweden	192	135	170	150	200	259	267	225	247	283
United Kingdom	631	422	670	286	665	480	380	1 240	1 329	716
Member States	3 413	3 175	3 369	3 327	4 352	4 975	4 685	7 200	6 995	8 203
EU	1 741	2 036	1 903	1 444	2 117	2 563	2 436	3 056	3 298	2 520
Grand Total	5 154	5 210	5 272	4 770	6 468	7 538	7 120	10 256	10 293	10 723

Sources: OECD CRS, Monterrey Questionnaires, EU MS revisions

Other donors

EU and Member States still represent a large share of both total AfT flows (32%) and of total ODA (38% in 2010). However, after a peak at 40% in 2006, the share of EU and Member States in total AfT has been decreasing. A similar trend of a decreasing share can also be observed as regards total ODA flows from EU and Member States.

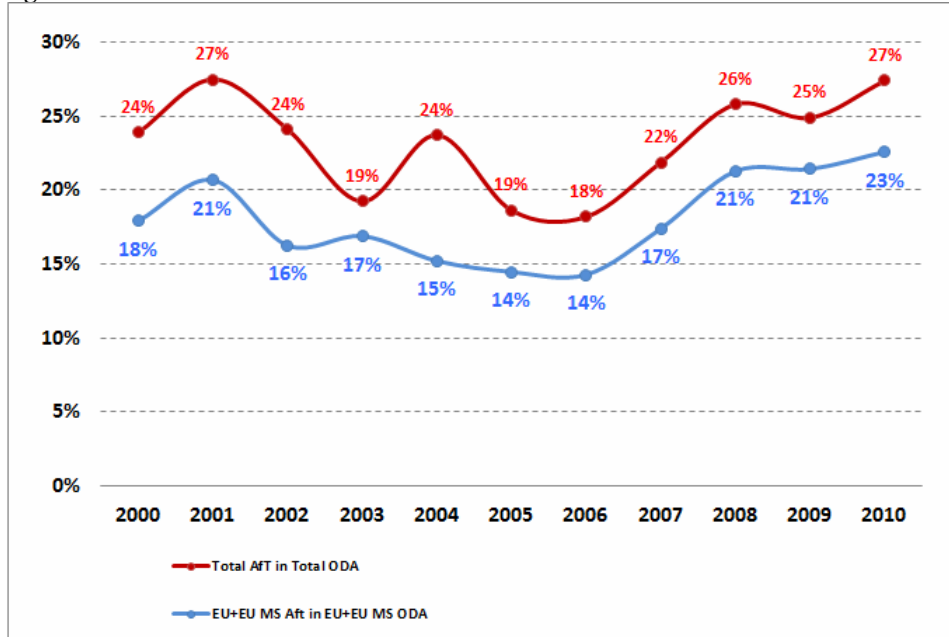
Figure 2 - Share of EU and its Member States in Total AfT and Total ODA



Sources: OECD CRS, Monterrey Questionnaires, EU

The share of EU and Member States AfT in relation to total ODA has been increasing constantly since 2006 (from 14% in 2006 to 23% in 2010) and the positive trend is also observed for other donors (from 18% in 2006 to 27% in 2010 for all DAC Members).

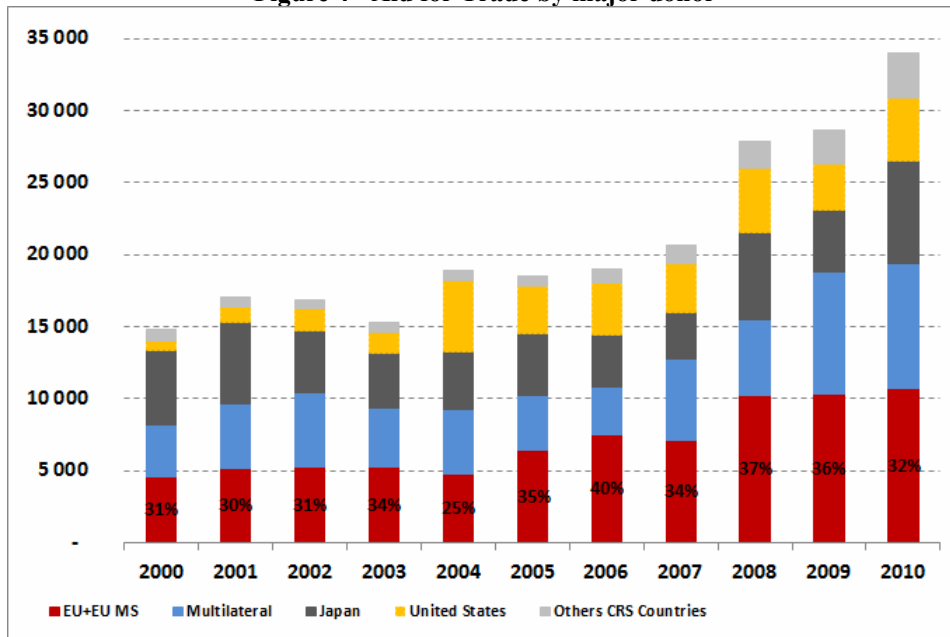
Figure 3 - Share of Aft in Total ODA for EU and its Member States and other donors



Sources: OECD CRS, Monterrey Questionnaires, EU

Aft has become increasingly important for all DAC members. Total Aft was equal to EUR 34 billion in 2010 and increases were reported for all major donors.

Figure 4 - Aid for Trade by major donor

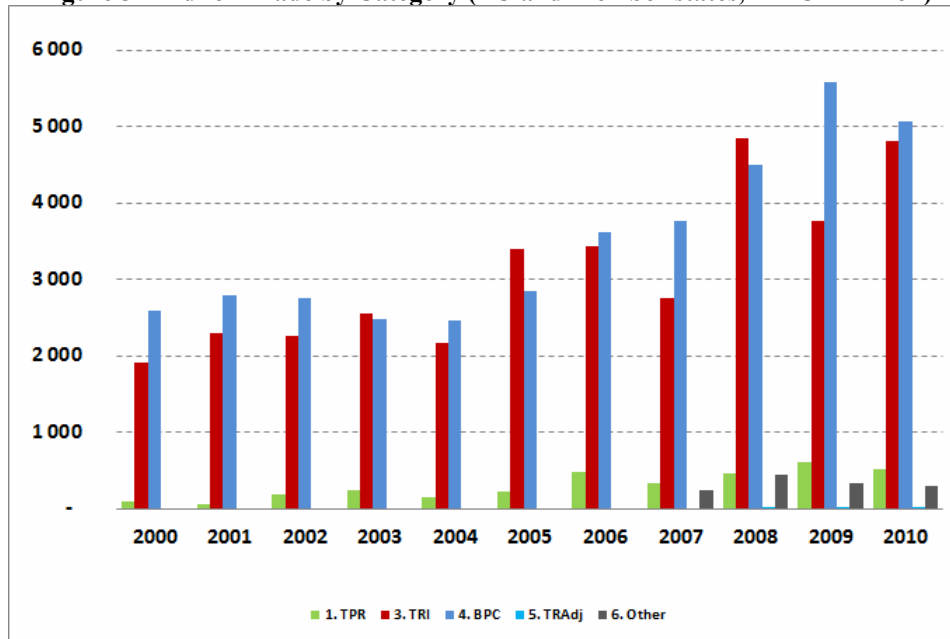


Sources: OECD CRS, Monterrey Questionnaires, EU

Categories

Building Productive Capacity (BPC) and Trade-related Infrastructure (TRI) represent the most important components of AfT, respectively EUR 5.1 billion and EUR 4.8 billion in 2010. The three other categories (Trade Policy and Regulation, Trade Related Adjustments and Other Trade Related Needs) represent less than 8% of the total (a share that has been almost stable since 2007).

Figure 5 - Aid for Trade by Category (EU and Member states, in EUR million)

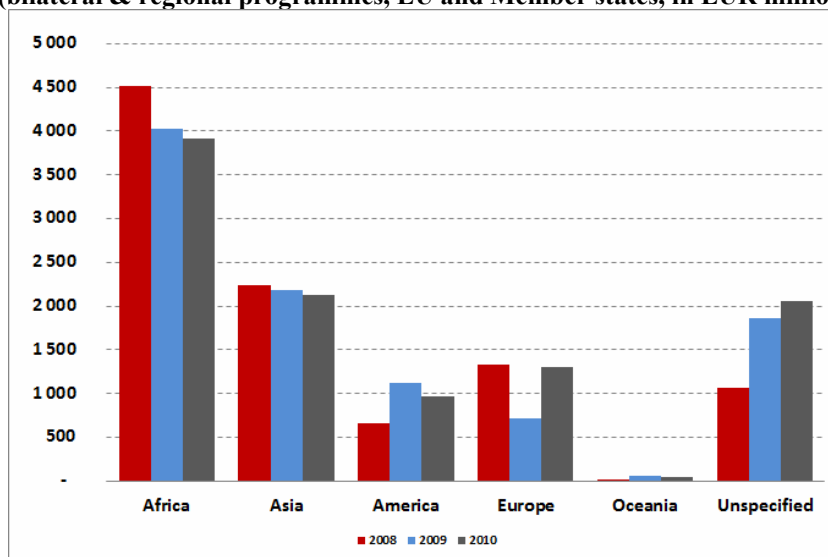


Source: OECD CRS

Geographical coverage

Africa still accounts for the largest share of AfT from EU and Member States at 38% (EUR 3.9 billion). It is followed by Asia (20%), Europe (13%), America (9%), and Oceania (1%).

Figure 6 - Aid for Trade by Region
(bilateral & regional programmes, EU and Member states, in EUR million)



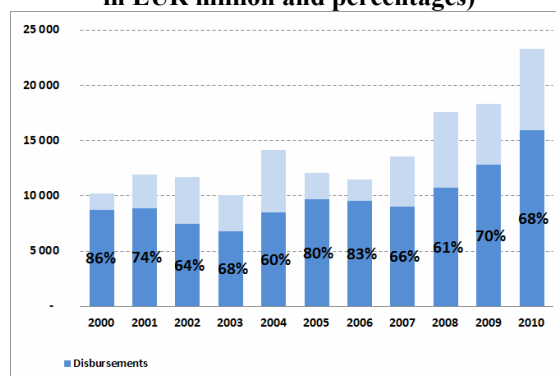
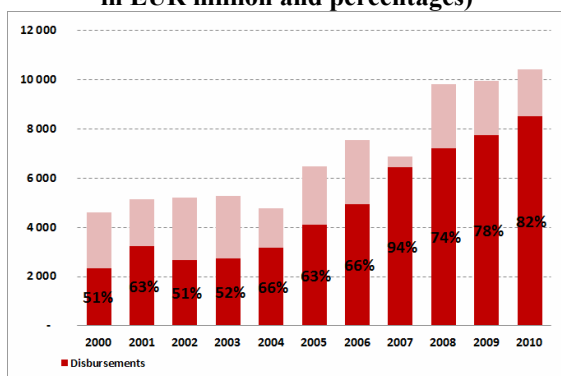
Source: OECD CRS

In terms of growth rates, there is a slight decrease in the amount committed to all regions except for Europe, which has seen an increase of 82% since 2009. “Unspecified” programmes now represent 20% of total Aft.

Disbursements

The EU and its Member States maintain a high level of disbursements. In 2010, disbursement represented 82% of commitments for EU and Member States, in comparison with 68% of committed amounts disbursed for other donors. Moreover, since 2008 a positive trend for EU and Member States has been observed in this regard.

Figure 7 - Aid for Trade: Disbursement versus Commitments
EU and its Member States
(disbursements in dark red, in EUR million and percentages)
Other Donors
(disbursements in dark blue, in EUR million and percentages)



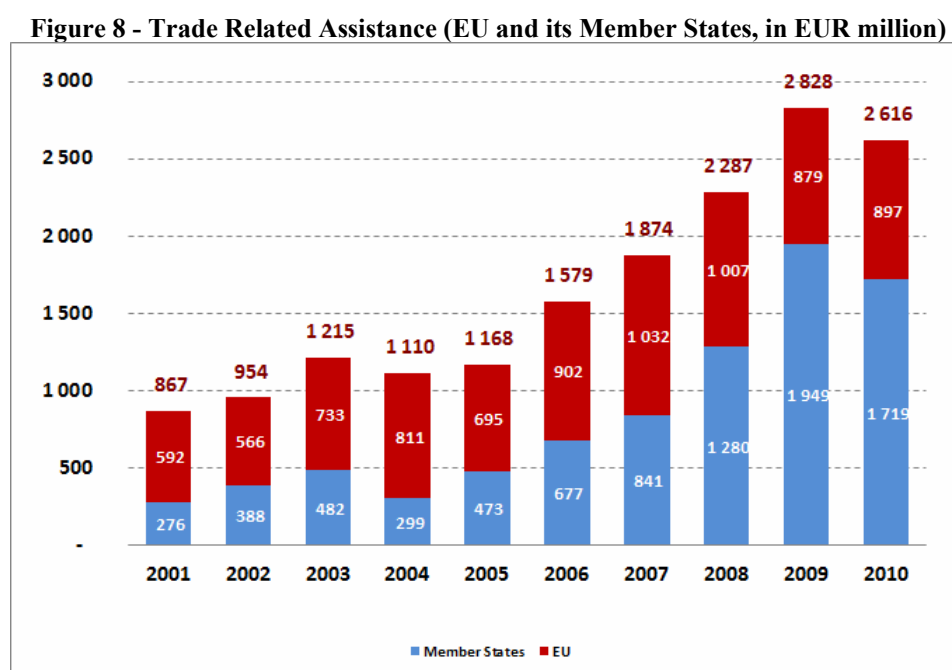
Source: OECD CRS

3.2 Trade Related Assistance

Main trends

In the joint 2007 AfT Strategy, EU made specific financial commitments in relation to TRA, pledging to increase its collective spending to EUR 2 billion per year by 2010. The EU and its Member States met the EUR 2 billion target for TRA already in 2008 and 2009 and for 2010 this continues. However, for the first time since 2005, commitments were slightly down, at EUR 2.6 billion compared to EUR 2.8 billion in 2009 (-8% in 2010, to be compared to +24% in 2009).

The substantial increase of TRA over the 2006-2009 period and the decrease in 2010 were attributable to Member States (+52% between 2008 and 2009 and -12% in 2010) while EU has maintained almost the same level of commitment since 2006.



Sources: OECD CRS, Doha Development Database, Monterrey Questionnaires, EU

With almost 70% of TRA provided by 3 Member States and EU providing 34% of commitments in 2010, TRA continues to remain highly concentrated among EU donors. Germany provides 29% of total TRA from Member States, UK 27% and Spain 12%. Germany, the first contributor of TRA among Member States since 2007, reduced its contribution to EU 497 million in 2010, while UK confirmed the substantial increase started in 2009 (from EUR 92 million in 2008 to EUR 457 million in 2010).

Table 2 - Trade Related Assistance by country: 2002-2010

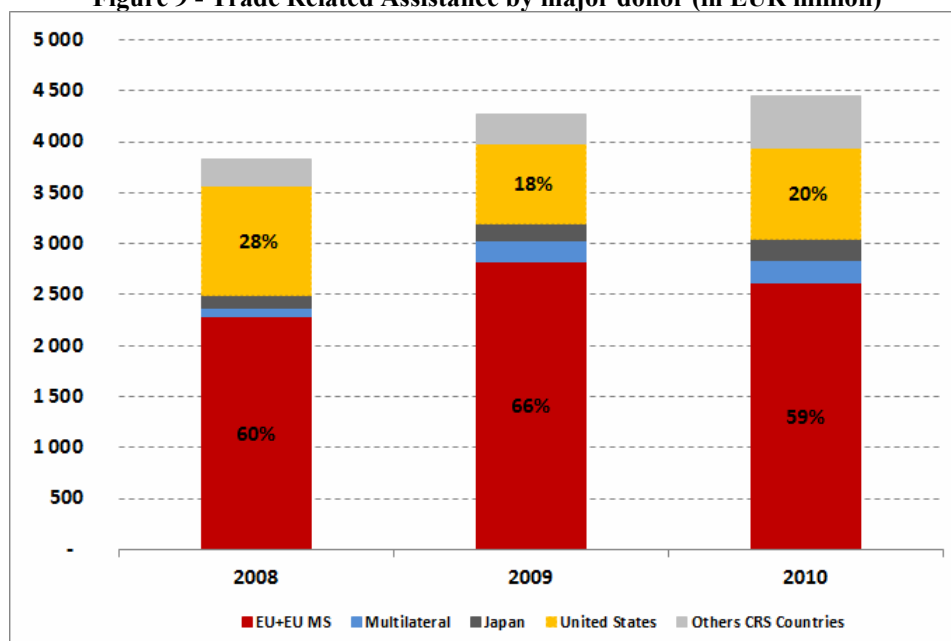
In EUR million	2002	2003	2004	2005	2006	2007	2008	2009	2010
Austria	1	0	2	8	5	14	24	18	23
Belgium	8	52	46	28	52	33	58	204	4
Bulgaria	-	-	-	-	0	0	0	0	0
Cyprus	-	-	-	-	-	-	-	-	-
Czech Rep.	-	-	-	0	0	0	0	0	0
Denmark	5	35	4	28	48	48	73	97	113
Estonia	-	-	-	-	0	0	0	0	0
Finland	6	9	0	15	33	2	51	91	56
France	129	100	65	83	106	215	16	84	18
Germany	81	89	64	81	31	238	680	700	497
Greece	6	2	1	0	4	6	4	5	1
Hungary	-	0	-	-	-	-	-	-	-
Ireland	0	0	0	0	5	8	16	0	15
Italy	9	1	8	4	6	15	29	33	32
Latvia	-	-	-	-	0	0	0	0	-
Lithuania	-	-	-	-	0	0	0	0	0
Luxembourg	0	0	0	0	0	0	0	-	2
Malta	-	-	-	-	-	-	-	-	-
Netherlands	67	128	61	81	196	126	62	40	159
Poland	-	-	-	-	-	-	0	-	-
Portugal	15	2	1	2	1	0	2	4	1
Romania	-	-	-	-	-	0	0	-	1
Slovakia	-	-	-	-	-	-	-	-	-
Slovenia	-	-	-	-	1	1	2	0	1
Spain	1	3	2	7	57	73	133	217	207
Sweden	5	18	9	46	25	29	36	75	131
United Kingdom	54	41	36	90	106	32	92	381	457
EU MS	388	482	299	473	677	841	1 280	1 949	1 719
EU	566	733	811	695	902	1 032	1 007	879	897
Grand Total	954	1 215	1 110	1 168	1 579	1 874	2 287	2 828	2 616

Sources: OECD CRS, Doha Development Database, Monterrey Surveys, EU MS revisions

Other donors

EU and Member States have been the major providers of TRA since 2008, with 59% of total TRA commitments reported in the whole OECD CRS database in 2010, compared to the 20% committed by USA, the second TRA provider.

Figure 9 - Trade Related Assistance by major donor (in EUR million)

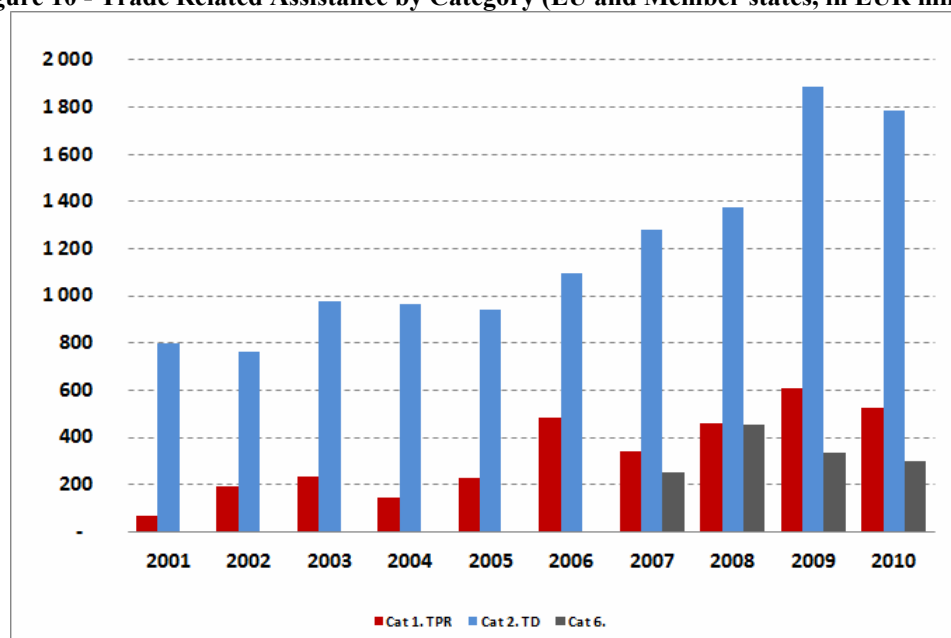


Sources: OECD CRS, Monterrey Questionnaires, EU

Categories

Trade Development (TD) (Category 2, which is a sub-set of Category 4) has continued to make up the bulk of total TRA since 2001 (75% on average). In 2010, the relative shares of the TRA categories were as follows: Trade Policy and Regulation representing 20%, Trade Development almost 70% and Other Trade Related Needs approximately 10%.

Figure 10 - Trade Related Assistance by Category (EU and Member states, in EUR million)

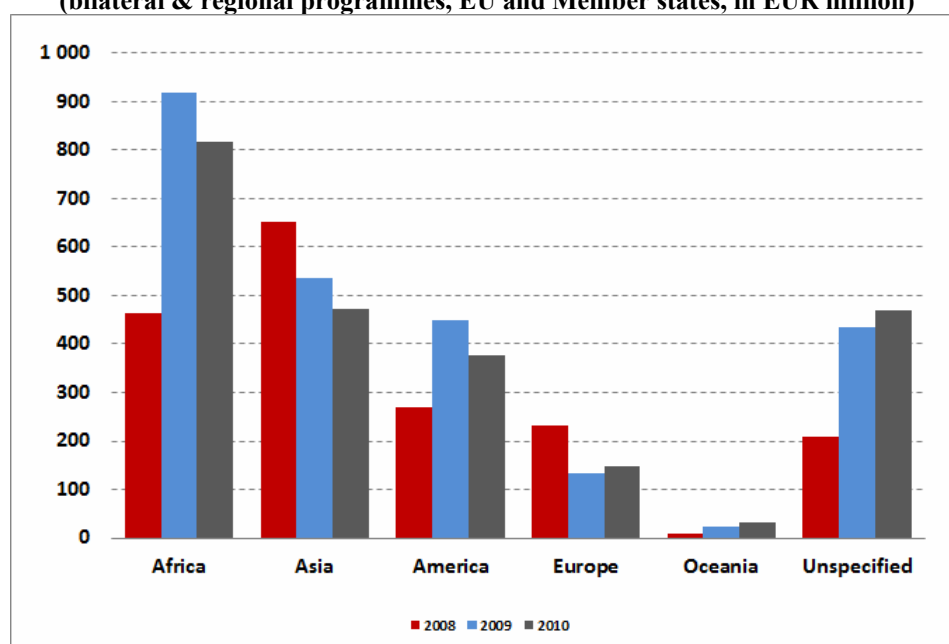


Source: OECD CRS, EU

Geographical coverage

Africa has continued to receive the largest share of EU and Member States TRA in 2010 with EUR 817 million (35% of the total). Almost 70% of these amounts were dedicated to the South of Sahara (see section 4.4). Asia remains the second destination of TRA commitments (EUR 472 million, 20% of total TRA) followed by America (16% of total TRA). All three were affected by the decrease in AfT commitments. A tendency to commit TRA through global programs and projects not specifically connected to a geographic region (“Unspecified”) is also observed.

**Figure 11 - Trade Related Assistance by Region
(bilateral & regional programmes, EU and Member states, in EUR million)**



Source: OECD CRS

4. COMPLEMENTARITIES BETWEEN EU AND ITS MEMBER STATES

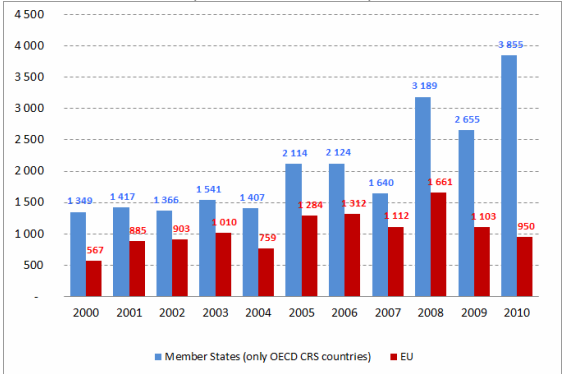
The EU AfT strategy is not only based on quantitative pledges but also on efforts aiming at enhancing the quality of EU AfT in line with globally agreed aid effectiveness principles. An effort to achieve a greater complementarity, harmonisation and cooperation among donors is one of the pillars of the Strategy. The analysis below shows strong complementarities between the EU and Member States in terms of categories and sectors, size of projects, instruments used and geographical coverage.

4.1 Analysis by category and sector

Figure 1 in section 3.1 shows an increase of EU and Member States AfT flows since 2005 (almost 66%), which has been much more accentuated in the case of Member States (88%) compared to the EU (19%). This rise is mainly attributable to the evolution of the support to

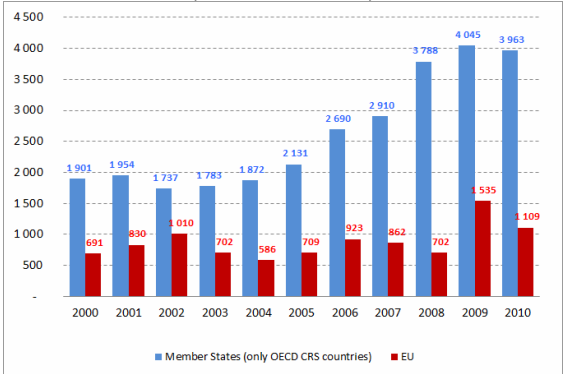
Trade Related Infrastructure and Building Productive Capacities which represent more than 90% of total Aft. A decomposition of growth rates by category points out important differences between EU and Member States. The 19% increase of EU commitments is mainly explained by a 56% increase in commitments towards Building Capacities, which has been partly compensated by a 26% decrease towards Infrastructures. Conversely, the 88% increase in commitments by Member States is the result of a more homogeneous increase in both TRI and BPC (82% in TRI and 86% in BPC).

Figure 12 - Trade Related Infrastructure (in EUR million)



Source: OECD CRS

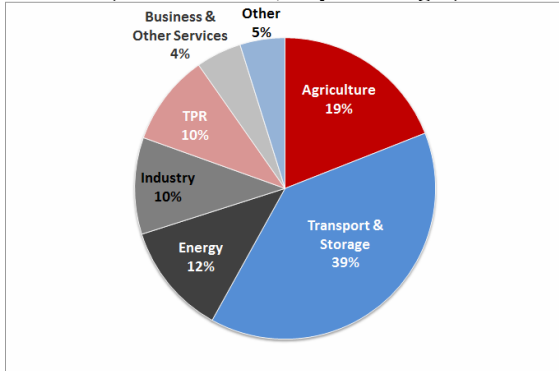
Figure 13 - Building Productive Capacity (in EUR million)



Source: OECD CRS

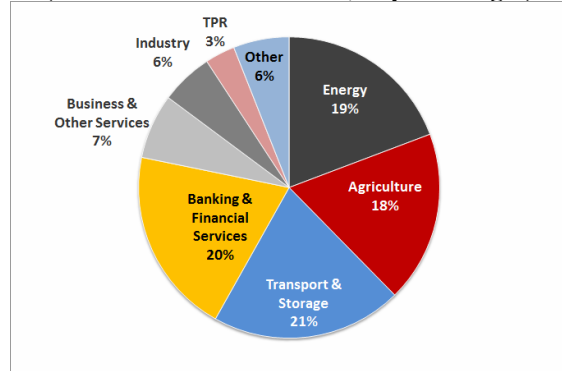
A focus on sectors reveals other interesting differences in Aft commitments between EU and Member States. EU commitments are mainly directed towards three main sectors, namely agriculture (35%), transport and storage (29%), and energy (13%), while commitments by Member States are focused on energy (33%) with agriculture and transport representing respectively only 17% and 12% of the total. Moreover, while the EU presents no commitments in banking and financial services, this sector represents 11% of total commitments by Member States.

**Figure 14 - Aid for Trade by Sector
(EU 2005-2009, in percentages)**



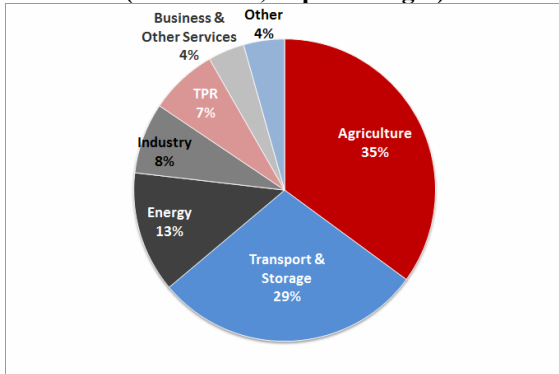
Source: OECD CRS

**Figure 15 - Aid for Trade by Sector
(Member States 2005-2009, in percentages)**



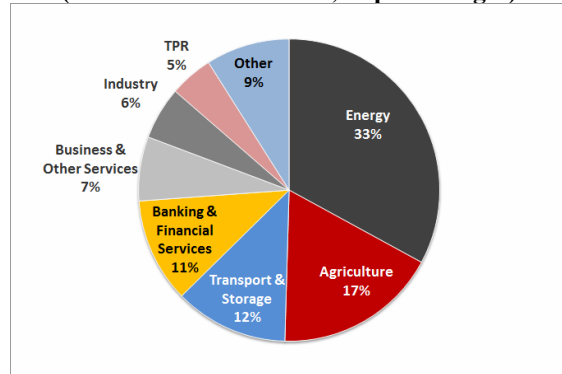
Source: OECD CRS

**Figure 16 - Aid for Trade by Sector
(EU in 2010, in percentages)**



Source: OECD CRS

**Figure 17 - Aid for Trade by Sector
(Member States in 2010, in percentages)**



Source: OECD CRS

The analysis of these major sectors (table below) stresses a strong degree of concentration among donors. Energy (with 67% of the programmes financed by Germany and 24% by France), and banking and financial services (with 55% of the programmes financed by Germany, 15% by UK, and 12% by Belgium) are the sectors that show the highest degree of concentration.

Table 3 - Aid for Trade by sector: breakdown by donor (in 2010)

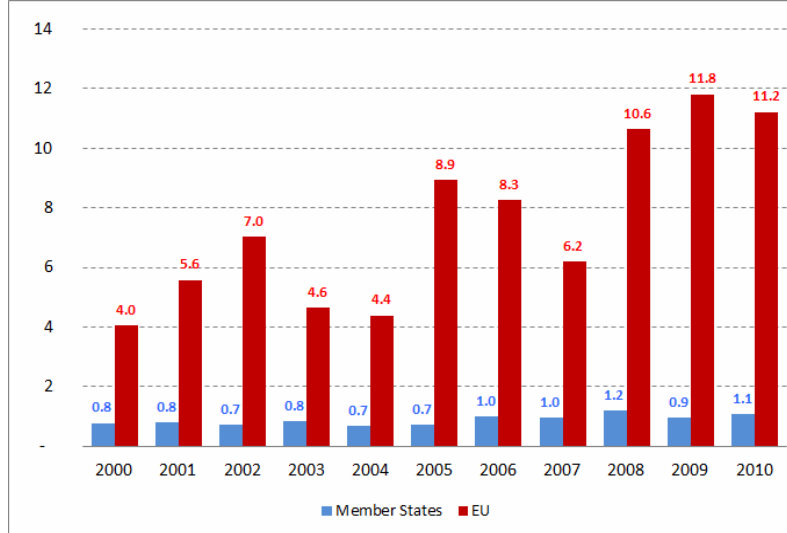
Sectors	Relative Shares of Member States
Energy	Germany (67%), France (13%)
Agriculture	Spain (31%), Germany (20%), France (17%)
Transport & Storage	Germany (37%), France (24%), Spain (16%)
Banking & Financial Services	Germany (55%), United Kingdom (15%), Belgium (12%)
Business & Other Services	Germany (34%), Netherlands (16%), Denmark (15%), Spain (14%)
Industry	Germany (34%), Netherlands (16%), Denmark (15%), Spain (14%)

Source: OECD CRS

4.2 Size and number of projects

The graph below shows the historical mean averages of project size for EU and Member States since 2000, calculated on the basis of total new commitments divided by the number of new committed projects. Complementarities between EU and Member States emerge from the analysis. The average size of EU projects is ten times the average size of projects financed by Member States (EUR 11.2 million in the case of EU compared to EUR 1.1 million for Member States) and the types of projects that have been financed are different.

Figure 18 - Aid for Trade - Average Size of Projects (EU and Member states, in EUR million)



Source: OECD CRS

Both in the case of EU and Member states there has been an upward trend in the average size of projects since 2000, with an average compound annual growth rate (CAGR) of 11% for the EU and of 3% for Member States. The detailed analysis of Member States projects shows that only six of them (The Netherlands, Germany, France, Sweden, United Kingdom and Denmark) manage AfT programmes with an average size of EUR 1 million or more.

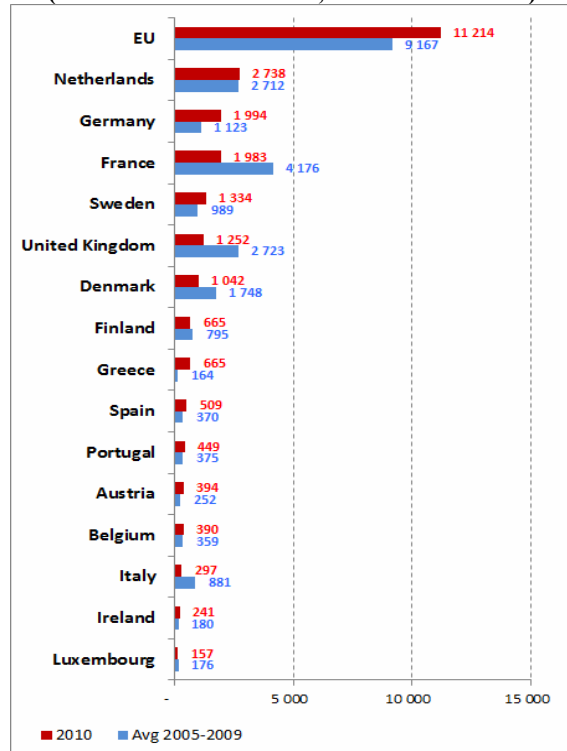
Spain is the Member State that has been implementing the largest number of AfT projects.

Table 4 - Number of AfT projects by Country

Austria	172
Belgium	809
Denmark	301
Finland	293
France	644
Germany	1677
Greece	22
Ireland	203
Italy	440
Luxembourg	168
Netherlands	155
Portugal	91
Spain	1 968
Sweden	212
United Kingdom	572
EU	198

Source: OECD CRS

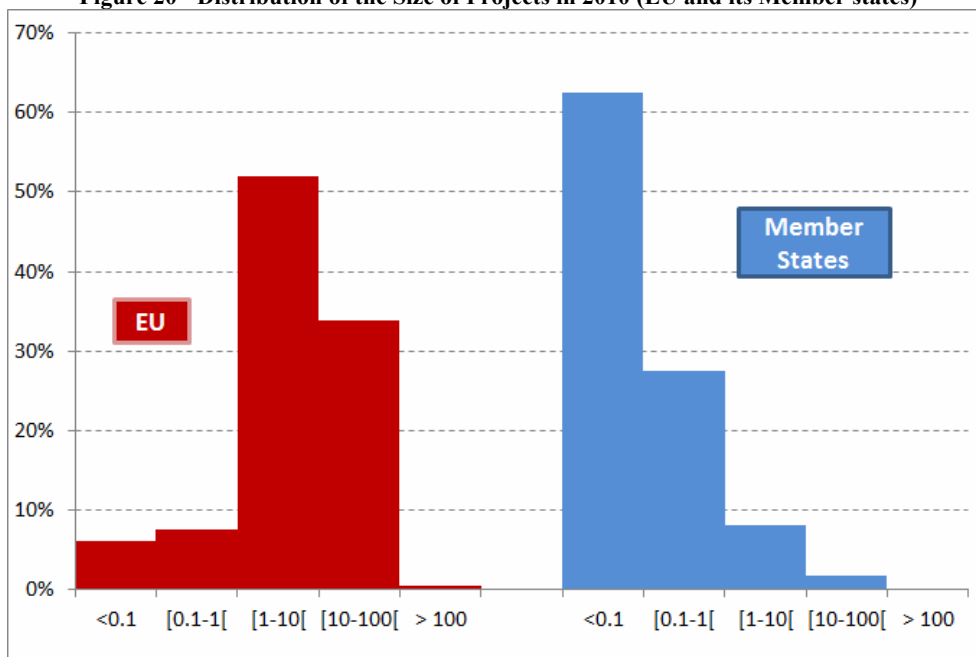
Figure 19 - Size of AfT Projects (EU and Member states, in EUR thousand)



Source: OECD CRS

The distribution of the size of projects (graph below) stresses the asymmetry between EU and Member States. In the case of EU the average size is close to EUR 10 million and the clear majority of projects in the range EUR 1 - 100 million. Member States show an opposite pattern, with the majority of the projects in the range EUR 0 - 1 million.

Figure 20 - Distribution of the Size of Projects in 2010 (EU and its Member states)



Source: OECD CRS

EU transport projects have the biggest average size (EUR 18.28 million) followed by agricultural projects (EUR 16.22 million). In Member States, mining projects are characterised by the biggest average size (EUR 4.08 million).

Table 5 - Size of EU Aft Projects by Sector in 2010 (% of total and ranges in EUR million)

Ranges (mn €)	<0.1	[0.1-1[	[1-10[	[10-100[	>100	Total	Average Size
Transport & Storage	3%	3%	43%	51%	0%	100%	18.28
Communications	11%	22%	67%	0%	0%	100%	2.54
Energy	3%	5%	70%	22%	0%	100%	7.77
Banking & Financial Services	0%	0%	100%	0%	0%	100%	1.17
Business & Other Services	10%	0%	60%	30%	0%	100%	8.67
Agriculture	2%	6%	44%	46%	2%	100%	16.22
Forestry	0%	13%	75%	13%	0%	100%	5.11
Fishing	0%	0%	67%	33%	0%	100%	7.25
Industry	0%	0%	65%	35%	0%	100%	9.90
Mineral Resources & Mining	0%	0%	0%	0%	0%	100%	0.00
TPR	24%	21%	31%	24%	0%	100%	5.58
Tourism	0%	0%	0%	100%	0%	100%	11.00

Source: OECD CRS

Table 6 - Size of Member States Aft Projects by Sector in 2010 (% of total and ranges in EUR million)

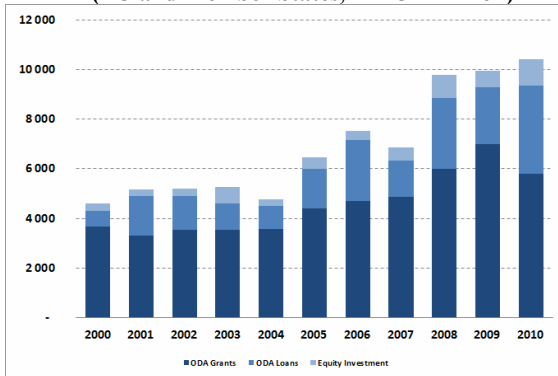
Ranges (mn €)	<0.1	[0.1-1[	[1-10[	[10-100[	>100	Total	Average Size
Transport & Storage	51%	26%	15%	7%	1%	100%	3.25
Communications	80%	15%	4%	1%	0%	100%	0.32
Energy	62%	18%	12%	7%	1%	100%	3.81
Banking & Financial Services	60%	23%	15%	2%	0%	100%	1.15
Business & Other Services	65%	23%	10%	2%	0%	100%	0.80
Agriculture	60%	34%	6%	1%	0%	100%	0.52
Forestry	65%	24%	9%	2%	0%	100%	0.68
Fishing	58%	35%	7%	0%	0%	100%	0.40
Industry	66%	27%	6%	1%	0%	100%	0.50
Mineral Resources & Mining	61%	34%	3%	0%	2%	100%	4.08
TPR	55%	30%	13%	1%	0%	100%	1.52
Tourism	67%	31%	2%	0%	0%	100%	0.15

Source: OECD CRS

4.3 Instruments used

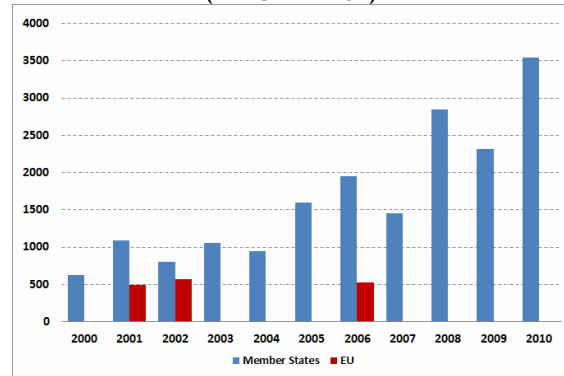
Since 2000, most EU and Member States AfT flows have been channelled through grants (almost 60% in 2010 in the collective AfT), even if the share of loans and equity investments has been increasing over the past few years. Also in this respect, EU and Member States show remarkable complementarities. In the case of EU, grants have been representing 100% of AfT programmes since 2007, while in the case of Member States 43% of programmes have been financed through loans and 13% through equity investments.

Figure 21 - Aid for Trade by Type of Flow (EU and Member States, in EUR million)



Source: OECD CRS

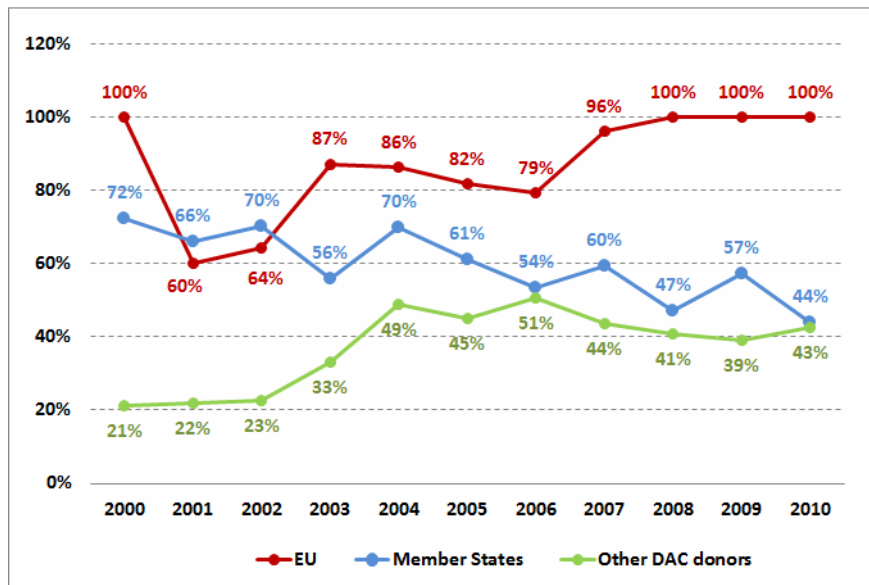
Figure 22 - Aid for Trade - ODA Loans (in EUR million)



Source: OECD CRS

A comparison with other DAC donors shows that the share of grants in EU projects remains very high particularly since 2007, while it is much lower in the case of projects financed by Member States which tend to converge towards the average share of grants for all DAC donors (a 43% of total AfT flows in 2010).

Figure 23 - Share of grants in AfT (EU and Member States and other donors in 2010)

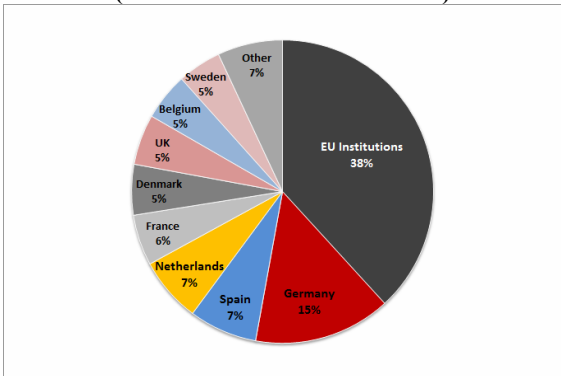


Source: OECD CRS

The EU is the most important source of grants (38% of collective EU and MS AfT grants) followed by Germany (15%). Loans are mostly provided by Germany (64%), and France

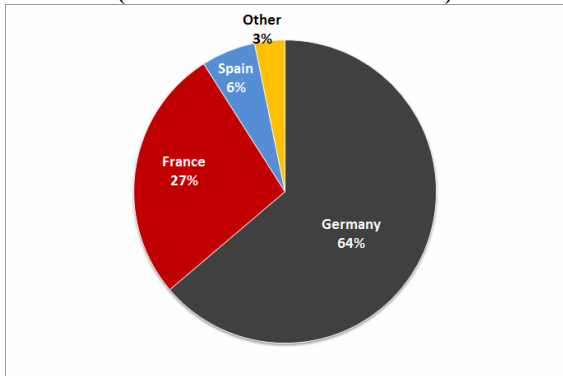
(27%), while equity investments are mainly used by UK (38%), Spain (37%), and Germany (22%).

Figure 24 - Aid for Trade – ODA Grants (EU and Member States in 2010)



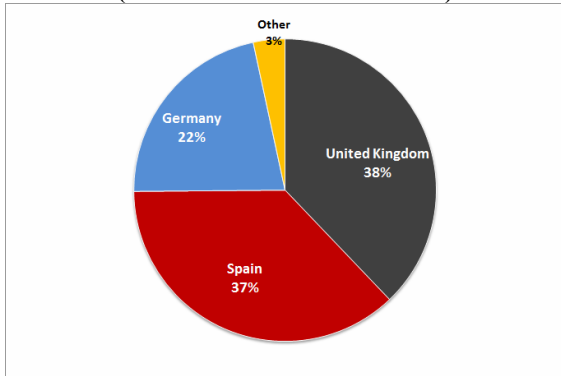
Source: OECD CRS

Figure 25 - Aid for Trade – ODA Loans (EU and Member States in 2010)



Source: OECD CRS

Figure 26 - Aid for Trade - Equity Investment (EU and Member States in 2010)

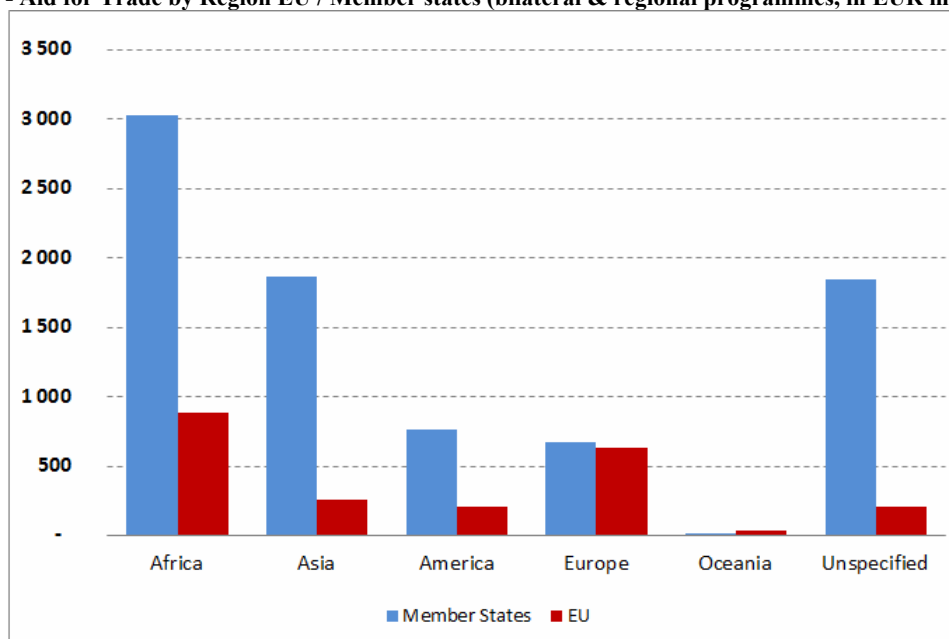


Source: OECD CRS

4.4 Geographical coverage

For both EU and Member States, Africa was the most important region for AfT flows in 2010. The second priority was Europe for the EU and Asia for Member States. We also observed the importance of unspecified flows for Member States (box below).

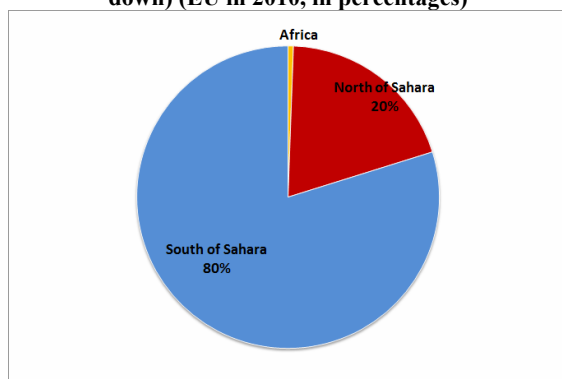
Figure 27 - Aid for Trade by Region EU / Member states (bilateral & regional programmes, in EUR million, 2010)



Source: OECD CRS

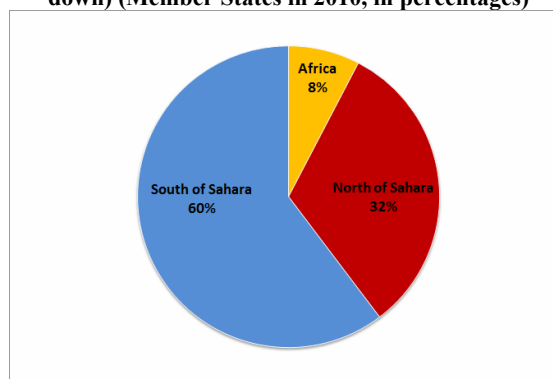
A breakdown of the total amounts of AfT towards Africa in 2010 (charts below) shows that the majority of programmes was directed towards South of Sahara (80% of EU programmes and 60% of programmes financed by Member States). For Member States the shares of flows directed towards North of Sahara and Pan African programmes (respectively 32% and 8%) are more important than in the case of EU.

Figure 28 - Aid for Trade by Region – Africa (break down) (EU in 2010, in percentages)



Source: OECD CRS

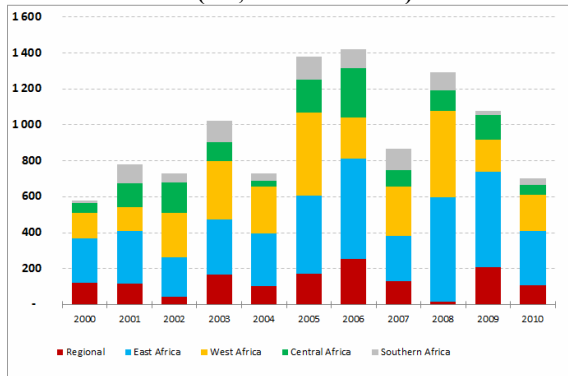
Figure 29 - Aid for Trade by Region - Africa (break down) (Member States in 2010, in percentages)



Source: OECD CRS

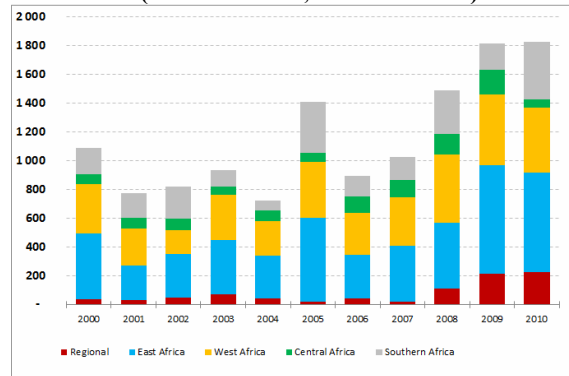
In recent years, Eastern Africa is the most important destination of AfT for both the EU and Member States and Western Africa remains the second destination of AfT. Support from Member States to the Southern Africa is relatively higher as compared to EU financing.

Figure 30 - Aid for Trade on South of Sahara (EU, in EUR million)



Source: OECD CRS

Figure 31 - Aid for Trade on South of Sahara (Member States, in EUR million)

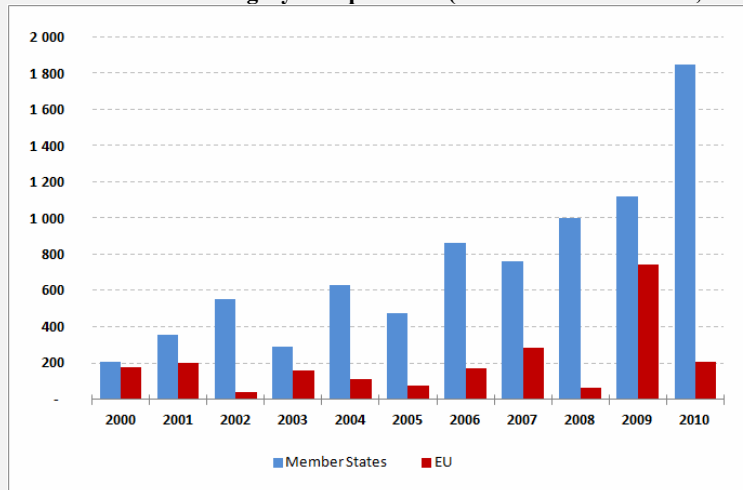


Source: OECD CRS

Box 1 - What are the projects under the category “unspecified region”?

The volume of AfT projects in the category “Unspecified” is large and has been regularly increasing over the past years, particularly in the case of Member States (more than 20% of programmes in 2010).

Figure 32 - Aid for Trade: the category "unspecified" (EU and Member States, in EUR million)



Source: OECD CRS

What are the programmes that are classified in this category? The following table shows a list of the ten most important programmes in this category, with their description, donor country, AfT category and amount allocated to the project. Among the 1007 programmes classified in this category in 2010, more than 72% of the total volume is explained by these ten most important ones.

**Table 7 - The Category “unspecified”, list of 10 most important projects in 2010
(in EUR million, 72% of the category is covered)**

	Volume (EUR mln)	AfT Category	Sector	Title
Germany	500.0	3	Power generation/renewable sources	Clean Technology Fund (CTF)
Spain	285.5	4	Agricultural policy & admin. mgmt	FIDA's financial facility
Netherlands	157.1	1	Regional trade agreements (rtas)	DGI CBI budget 2005
France	110.9	4	Agricultural research	Recherches scientifiques et technologiques autour du développement des pays du sud
Germany	110.1	4	Formal sector financ. intermediaries	Infrastructure Crisis Facility - Debt trust
EU	80.8	3	Power generation/renewable sources	Premier engagement financier global (GFC) de la Facilité Energie 10è FED
Belgium	72.0	4	Formal sector financ. intermediaries	BIO - Fonds de Développement – Globale
Netherlands	69.5	4	Business support services & institutions	DDE PSOM 2007-2013
Netherlands	60.3	3	Energy policy and admin. management	DME Scalingup Renewable Energy
EU	31.84	Agricultural development		LRRD Component 4 FSTP AAP 2010

Source: OECD CRS

In 2010, the bulk of the flows come from Germany (37%), The Netherlands (17%), and Spain (15%).

Table 8 - The Category “unspecified”, by donor (in EUR million, 2010)

	Volume	% of total (in EUR million)
Austria	12.6	1%
Belgium	90.2	4%
Denmark	2.4	0%
Finland	46.6	2%
France	145.0	7%
Germany	766.9	37%
Ireland	6.7	0%
Italy	0.1	0%
Luxembourg	7.6	0%
The Netherlands	344.2	17%
Portugal	0.5	0%
Spain	304.4	15%
Sweden	59.3	3%
United Kingdom	60.2	3%
EU	205.7	10%
Total	2052.3	100%

Source: OECD CRS

5. AfT FLOWS TO LDCs AND ACPs

The EU AfT Strategy explicitly refers to supporting LDCs to better integrate into the rules-based world trading system and to more effectively use trade in promoting the overarching objective of eradicating of poverty in the context of sustainable development.

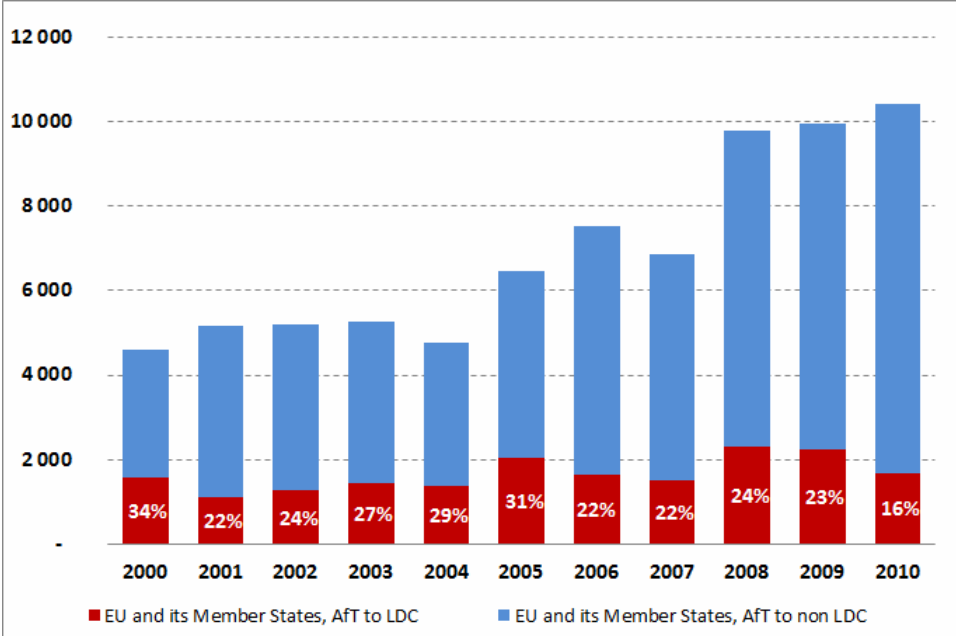
Moreover, one of the aims of the EU AfT Strategy is building up, fostering and supporting ACP regional integration processes through a support to ACP regions and countries to take full advantage of the increased trading opportunities and maximise the benefits of trade reforms, including those of the Economic Partnership Agreements (EPAs), while the collective EU delivery of AfT does not depend on the outcome of such negotiations.

5.1 Evolution of the AfT flows to LDCs

In 2010 the share of AfT to LDCs as percentage of total AfT from EU and Member States decreased to 16% compared with 23% in 2009 (in 2010 the support to LDCs amounted to

EUR 1.7 billion compared with EUR 8.7 billion to non-LDCs). This decrease can be probably explained by cyclical and EU programming factors. Furthermore, the share of LDCs in the total AfT remains underestimated because of the increasing tendency to provide support through programmes under the category "Unallocated by income" (see box 2).

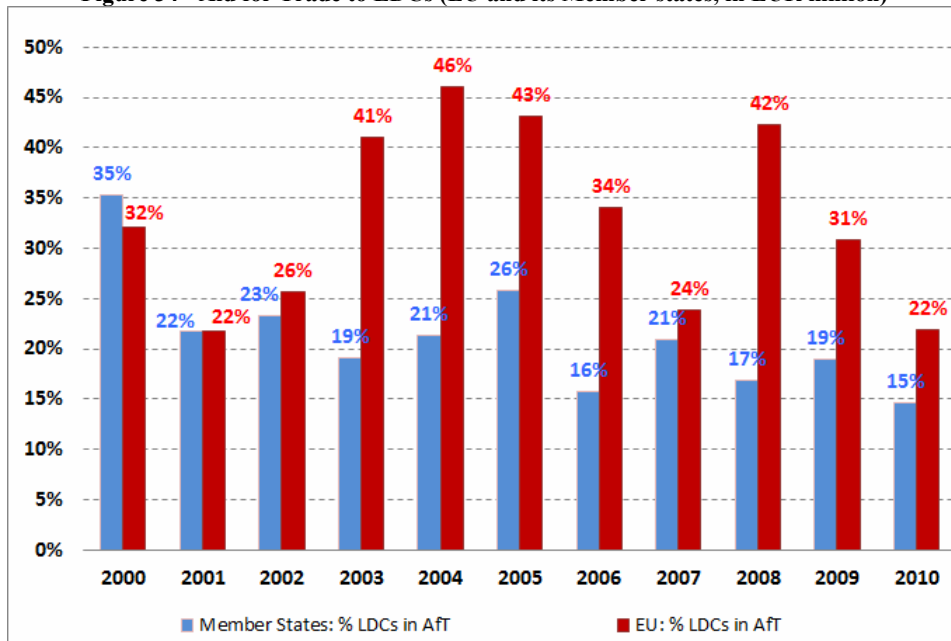
Figure 33 - Aid for Trade to LDCs (EU and its Member states, in EUR million)



Source: OECD CRS

Since 2001, the share of EU AfT provided to LDCs (22% in 2010) has been higher than the share Member States delivered to LDCs (15% in 2010). Both curves are characterised by a highly cyclical profile.

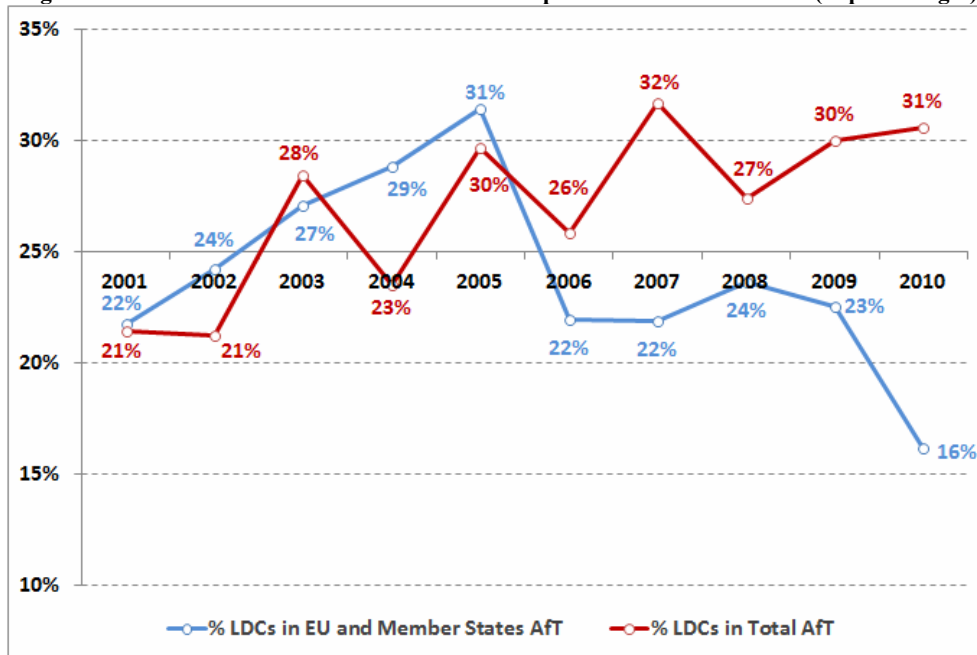
Figure 34 - Aid for Trade to LDCs (EU and its Member states, in EUR million)



Source: OECD CRS

The share of AfT provided to LDCs by other DAC donors is much higher than that of the EU and its Member States.

Figure 35 – Share of Aid for Trade to LDCs in comparison with other donors (in percentages)



Source: OECD CRS

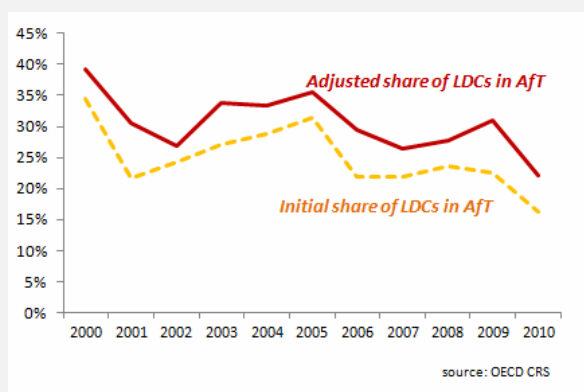
Box 2 – Underestimation of AfT share to LDCs

In the OECD CRS database, regional programmes are classified in the category "Unallocated by income", but some of them are clearly LDCs-oriented, in particular regional programmes in Africa (EUR 615 million in 2010). Recalculating the share of LDCs taking these regional programmes in Africa into account, the share of AfT flows to LDCs increases.

Figure 36 - AfT for EU and its Member States: Adjusted share of LDCs (in % of total AfT)

	2000	2005	2009	2010
Share of LDCs		34%	31%	23%
Adjusted share of LDCs		39%	35%	31%

Source: OECD CRS, Authors calculations



Source: OECD CRS

The following list summarises the top receivers of AfT flows (regional or bilateral). The whole list of countries represented account for 65% of total AfT, and the same list explains 66% of programmes dedicated to LDCs. However, countries or regions are not always provided and the category "Unspecified" is the primary recipient of AfT flows (see Box 1 for details about this category). Therefore, for some of them, a share could be allocated to LDC (for example the "FIDA's financial facility" with EUR 286 million, the "DGI CBI budget 2005" with EUR 157 million, or the "Recherches scientifiques et technologiques autour du développement des pays du sud" with EUR 111 million). To evaluate the potential sensibility of this evaluation, these three programmes have been added to the category. With such an adjustment, the share of LDCs would be 21% instead of 16% in 2010, and with the assumption of 25% of the rest being allocated to LDC this share would rise to 25% (a 10% increase compared to the initial evaluation).

Table 9 - AfT for EU and its Member States by Recipient Country: how many LDCs?
(in EUR million, these countries account for 65% of total AfT)

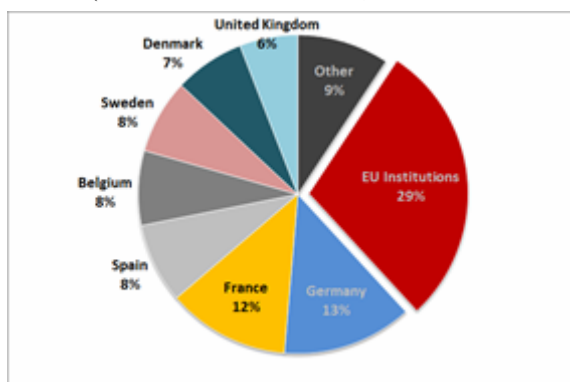
	2000	2005	2008	2009	2010	LDC
Unspecified	384	551	1 065	1 866	2 052	?
Morocco	108	118	789	438	441	
China	205	228	461	359	404	
Egypt	42	137	308	87	402	
Kenya	61	190	39	255	354	
Turkey	64	102	554	199	347	
South of Sahara	158	190	126	423	336	regional
India	149	234	391	425	308	
Vietnam	104	168	52	162	248	
Tunisia	141	32	332	172	245	
Africa	42	30	243	391	237	regional
Serbia	87	190	174	57	203	
Mozambique	113	138	154	84	198	Yes
Afghanistan	2	63	161	273	194	Yes
Europe	18	29	101	48	192	
Bosnia-Herzegovina	13	36	84	57	163	
Asia	53	30	162	111	149	regional
Brazil	26	35	33	144	149	
Burkina Faso	120	95	56	12	142	Yes

Source: OECD CRS

5.2 AfT to LDCs by donor and sector

In 2010, almost 30% of collective EU and Member States AfT towards LDCs have been granted by the EU followed by Germany (13% of collective AfT) even if the support to this group of countries equals only 7% of the total German AfT. AfT activities of Ireland (68% of the total Irish AfT), Sweden (45%), Belgium (40%) and Denmark (38%) are highly focused on LDCs.

Figure 37 - Aid for Trade to LDCs, by donor (EU and its Member states, in 2010)



Source: OECD CRS

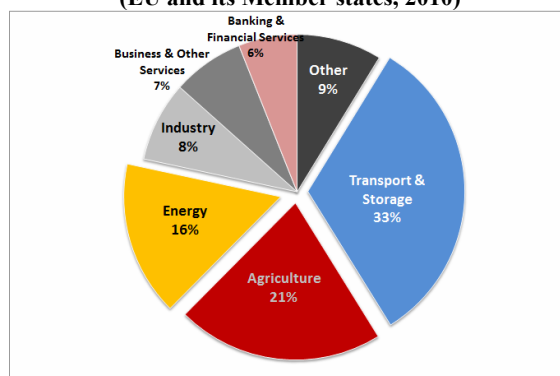
Table 10 - Share of LDC in AfT, by donor (in 2010)

Austria	11%	Luxembourg	23%
Belgium	40%	Netherlands	4%
Denmark	38%	Portugal	5%
Finland	25%	Spain	14%
France	16%	Sweden	45%
Germany	7%	UK	14%
Ireland	68%	EU	19%
Italy	32%		

Source: OECD CRS

More than 70% of AfT towards LDCs were directed towards three sectors (transport and storage, agriculture, and energy) in 2010

Figure 38 - Aid for Trade to LDCs, by Sector (EU and its Member states, 2010)

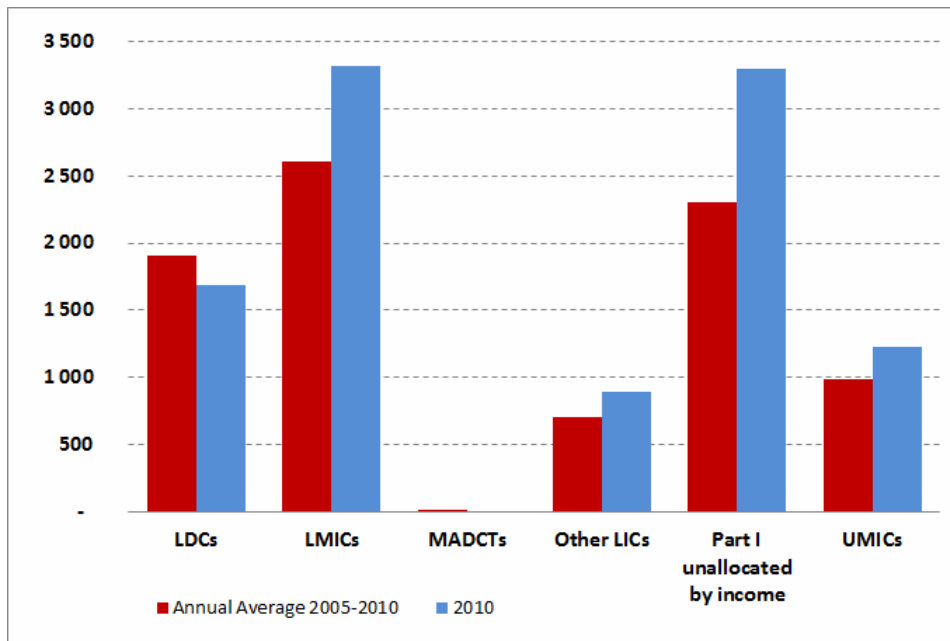


Source: OECD CRS

5.3 LDCs AND OTHER INCOME GROUPS

Among the categories of countries monitored (LMIC: lower middle income countries, MADCT: more advanced developing countries, LIC: low income countries and UMIC: upper middle income countries), LDCs are the only category showing a decline in absolute amount compared to the 2005-2009 average. This decrease is probably due to cyclical factors. Moreover, in 2010 a considerable part of programs is unallocated by income (see § 5.1 and box 2).

Figure 39 - Aid for Trade by Income Group
(bilateral & regional programmes, EU and Member states, in EUR million)

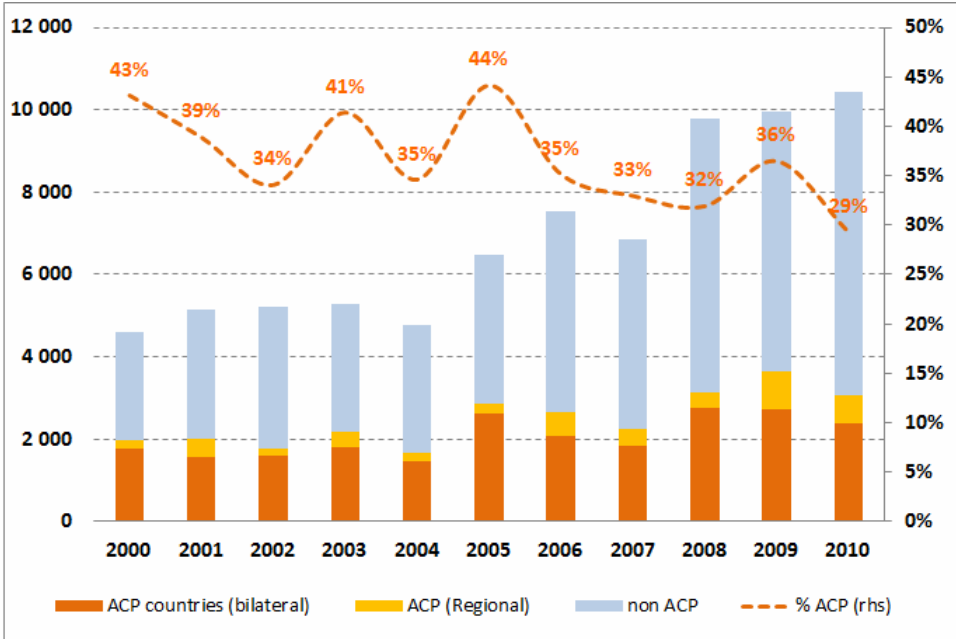


Source: OECD CRS

5.4 AfT flows to ACP countries

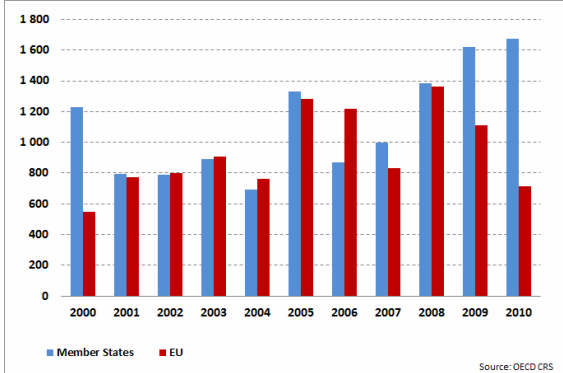
In 2010, collective EU AfT flows provided to ACP countries decreased to EUR 3.1 billion (29% of the total collective EU AfT) in comparison with EUR 3.7 billion (36% of the total collective EU AfT) in 2009 (chart below). This decrease was due to the fall in EU commitments both on bilateral and regional levels. However, ACP countries remain a strong priority for the EU, with 39% of total EU commitments compared to 27% of total in the case of Member States.

Figure 40 – Aid for Trade to ACP countries (EU and Member states, in EUR million)

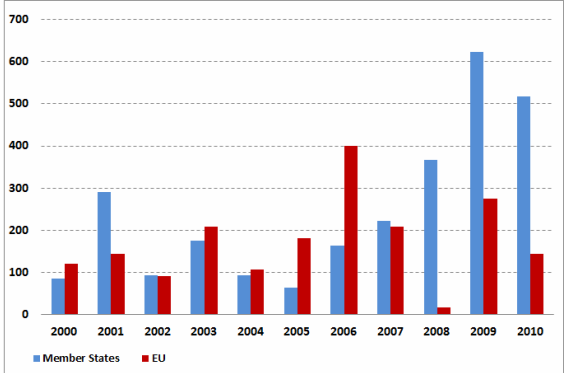


Source: OECD CRS

Figure 41 – Aid for Trade to ACP countries
Bilateral (in EUR million) Regional (in EUR million)



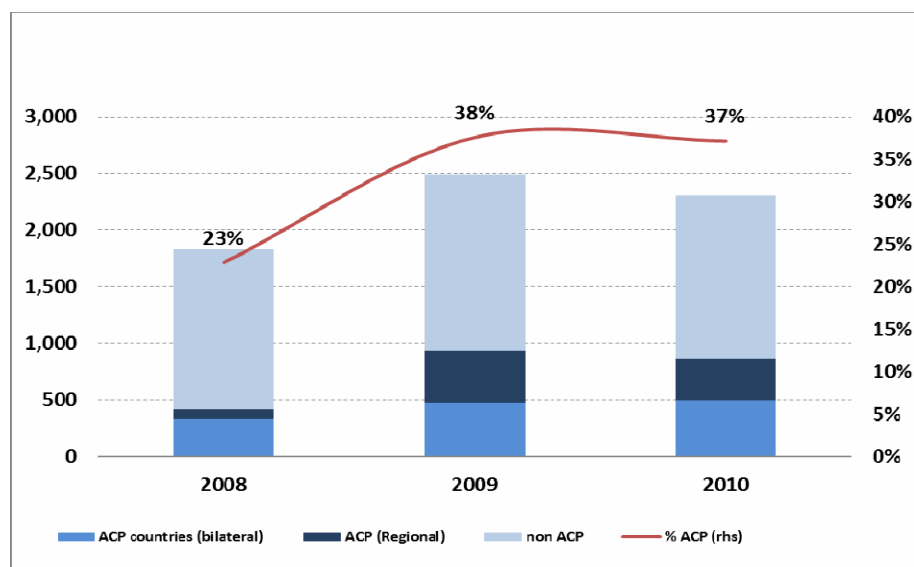
Source: OECD CRS



Source: OECD CRS

As far as Trade Related Assistance to ACP countries is concerned, 2007 EU AFT Strategy states that "In the context of efforts to increase the collective EU TRA to 2 billion EUR annually by 2010, in the range of 50% of the increase will be available for the ACP needs". Between 2008 and 2010, the total EU TRA increased at the rate of 26% but at the same period of time the EU TRA to ACP countries grew by 105%. The increase of EU TRA to ACP, in absolute values, represents almost 92% of total TRA increase (TRA to non-ACP countries was relatively stable). In 2010, the part of ACP in total EU TRA was equal to 37%.

Figure 42 - Trade Related Assistance to ACP Countries (EU and EU MS, in EUR million)



Source: OECD CRS

6. QUALITATIVE ASSESSMENT OF EU AID FOR TRADE

The important part of the EU AfT Strategy is focussed on enhancing the effectiveness of AfT delivery.

As in previous years' monitoring exercises the European Commission submitted a questionnaire to EU Delegations in developing countries and invited them to provide a joint reply to be elaborated with the Member States present in the country and active in sectors covered by AfT. In addition to collecting important feedback from the field on how the AfT agenda is progressing at country and regional level, this exercise also helped catalyse and facilitate a discussion on AfT matters in the partner country in question.

This year's analysis contributed in particular to reinforce the understanding of a series of key issues including: the possibility of more coordinated EU and EU Member States work on AfT in partner countries, the use of trade needs assessments in AfT strategies, constraints to donor's support to LDCs, opportunities for greater regional integration support and difficulties in the area of AfT monitoring and evaluation.

EU delegations and EU Member States' embassies in 64 partner countries across the developing world completed the field questionnaire³. 34 of the respondents are based in the ACP States, 11 in Asia, 10 in Latin America and 9 in the Neighbourhood country group. 21 of the total responses came from field offices in LDCs. Many Member States significantly involved in AfT in the partner countries provided contributions to the questionnaire (in almost 70 % of cases).

³ There were 89 responses in the last year Report.

6.1 Ownership

Trade issues in the EU donor – partner policy dialogue

EU Delegations and Member States representatives report that for nearly three-quarters of AfT beneficiary countries trade was a regular topic of discussion. This reflects the situation in **thirty-seven partner countries out of 64**, with only **six** responding negatively. 61% of respondents affirmed that no particular changes had occurred compared to 2009⁴ while a still sizeable 39% observed an improvement.

A dialogue on AfT within partner countries appears to involve civil society only on an irregular basis. The replies indicate that 11% of recipient countries consistently incorporate civil society in AfT discussions while 54% occasionally do so. More importantly, about 31% rarely or never involve civil society in the policy dialogue, suggesting that opportunities for a broader dialogue exist.

Compared to 2009, 52% of Delegations in partner countries report that demand for AfT has increased. Despite not reflecting the general opinion of recipient countries, a non-negligible 23 respondents (35%) answered that AfT demand had seen little or no change since 2009. **Moreover, the overwhelming majority of non-ACP countries (64%) have an existing intra-ministerial/institutional committee to coordinate trade issues whereas the same existed only in 39% of ACP countries.**

Coordination process to develop and implement trade strategy

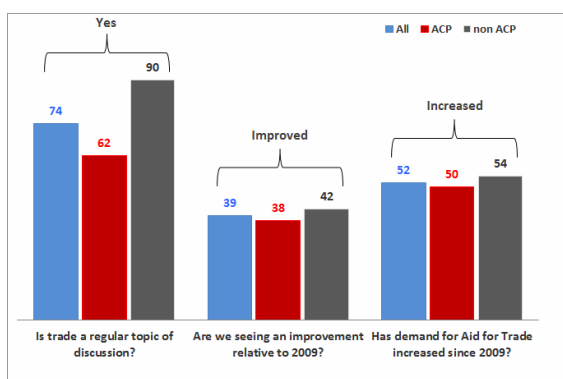
Half of EU field responses show that partner country has an existing government-donor coordination mechanism in place to develop and implement trade strategies, mainly in ACP countries. The other half of the countries are said either not to have such coordination processes or to have them formally but not using them actively. Reasons are generally related to lack of capacity or scarcity of human resources.

Trade Needs Assessment and Strategies

This year's exercise shows that 56% of partner countries have not conducted a comprehensive trade needs assessment over the past five years. This percentage was lower in the case of ACP countries (47%). It appears that even if a recent comprehensive trade needs assessment is available, its findings are fully or partially reflected in the trade strategy only in 30% of countries. Countries are either failing to integrate assessment findings or do not have an existing trade strategy in place. This remains a serious concern in that EU and Member States may be providing AfT support on the basis of an obsolete or non-existent trade needs assessment.

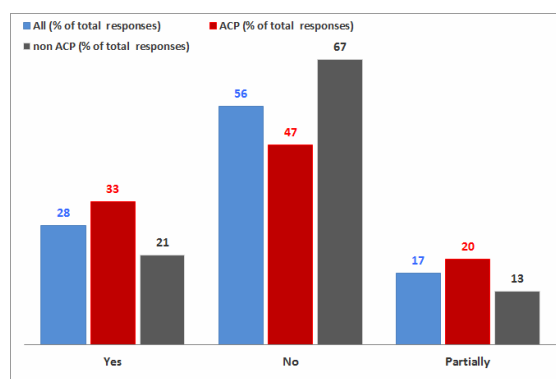
⁴ To be in line with the OECD CRS data, currently available till 2010, the questionnaire asked to describe the situation in 2010 in comparison to 2009.

Figure 43 – Dialogue on Aid for Trade
(% of total responses)



Source: TAC, EAMR 2011

Figure 44 – Trade Needs Assessment (Has a comprehensive trade needs assessment been undertaken in the last five years?)



Source: TAC, EAMR 2011

6.2 Joint operations and harmonisation

Survey results for 2010 show that compared to 2009 there has been a moderate improvement in donor's coordination. **This year's field responses indicated that in 51% of Partner Countries EU donors improved their coordination compared to 2009 (moderate improvements were reported in 43% of countries).** However, at the same time, the replies show a softening in the pace of improvement, as only about 12% of those surveyed witnessed significant progress relative to 21% in the previous year.

6.3 Regional dimension of AfT

Field questionnaire's responses indicate that within 62% of partner countries EU donors were supportive/partially supportive in strengthening the inclusion of strategic regional economic integration priorities in national development plans or the trade strategies of partner countries. The remaining 38% reported there was no support. **Compared to 2009, 13% of respondents considered that this represented an improvement.**

EU donors seem especially supportive to the inclusion of strategic regional economic integration within national development plans or trade strategies in ACP countries, accounting for 73% of those that responded 'yes' to EU support, following distantly by Asian countries.

The case study

Zambia's Great East Road Rehabilitation Project – Nacala Corridor-Highlights

This project started in 2010 concerns the improvement of some 360km of single carriageway highway on the Great East Road connecting central Zambia to its Eastern province, as well as into the Nacala Corridor, a regional transport corridor linking Malawi and Zambia to the deep sea port of Nacala in Mozambique.

Innovative approach:

This project is considered as "best practice example" for blending loans and grants in the road transport sector under the umbrella of the Infrastructure Trust Fund (ITF), where a EUR 38 million of EDF10 in forms of grant was blended with an investment loan from EIB's, AFD's and AfDB own resources (with a interest rate subsidies from the ITF to cover for the total project costs of EUR 250 million).

6.4 AfT Monitoring and Evaluation

Asked about the problems that donors encounter in assessing AfT programmes and projects, 26% of replies indicated the difficulty of obtaining in-country data as one of the leading challenges. **For the responses that reported the difficulty of obtaining in-country data as either 'most important' or 'important', the share increases to 83%.** The second most important hurdle is the difficulty in defining suitable indicators (74%).

A critical element in monitoring and evaluation is to feedback results into the government's trade development strategy for which specific processes need to be in place. According to survey results, this is far from being the case. **Only 6% indicated that this process 'significantly' applies whereas 36% stated it applies 'moderately'.**

6.5 LDCs and EU AfT

Trade related policy dialogue

When asked whether trade is a regular topic of discussion in AfT dialogue with EU and Member States, 60% responded 'yes' while 33% 'only a limited extent'. For a relatively insignificant 7% of partner countries trade is not part of the AfT dialogue at all. Compared to 2009, the trend has improved noticeably for at least eight countries (38%). Several reasons for changes or lack of changes in the LDCs policy dialogue were mentioned in the questionnaires. Among those, the circumstance that several LDCs were in crisis or post-crisis situations leads to a scaled down dialogue or to a focus on constitutional and socio-economic issues.

AfT demand

More than 70% of EU donors in LDCs (fifteen countries) reported an increase in AfT demand since 2009, while 29% reported ‘little or no change’ (six countries).

National coordination mechanisms

In five out of twenty-one (25%) LDCs, EU field offices considered that national coordination mechanisms were in place to coordinate trade policy. Nine (45%) responded that these mechanisms exist formally but not actively used. In six LDCs (30%), such mechanisms were said not to exist.

It should be noted that LDCs responses indicate a lower degree of availability and use of trade policy coordination mechanisms in LDCs as compared to the total sample (Here 49% indicate that such mechanisms are available and used).

Trade needs assessment

The replies from the EU Delegations indicate that only seven (two partially) LDCs countries (33%) carried out a comprehensive trade needs assessment in the last five years. For the few countries that have conducted a comprehensive trade needs assessment, six reflected the findings in their respective trade strategies. 44% of answers from LDCs show that there was no trade strategy in place in these countries.

Main LDCs constraints to increasing attention to trade

According to 19 responses (out of 21), the main constraint to increasing attention to trade is related to the low capacity to identify needs and priorities. 17 responses indicated that the most important challenge is the low absorption capacity of LDCs. Other constraints highlighted as important or very important included ‘trade-related needs not substantiated’ (11 countries), ‘other more pressing priorities’ (11 countries), and ‘insufficient availability of funds from donors’ (7 countries). However, the latter constraint was considered to be the least important with 11 ‘less important’ and 4 ‘not important’ responses.

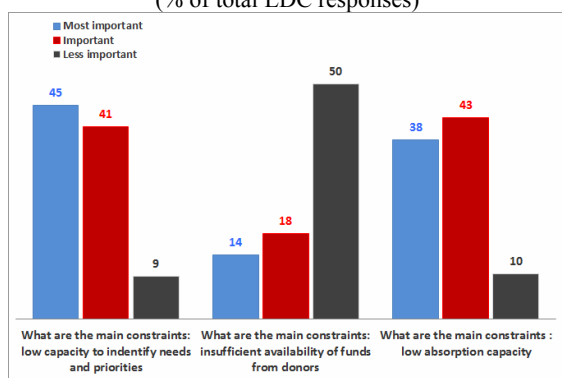
The case study

Supporting coffee and tea production in Rwanda

An EU project, set up to help support the Rwandan tea and coffee industry, creating more jobs and increasing the livelihoods of farmers as a result, has benefitted 60,000 farmers. Some 85% of the Rwandan population works in the agricultural industry.

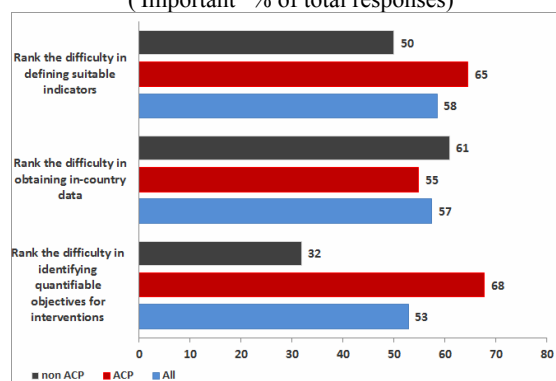
The programme helped to provide new facilities and equipment (for example new washing stations and new and rehabilitated storage systems, as well as pesticides, to protect the crops). To help tea production, drainage canals were built, road works carried out to improve access to tea estates, and training provided. It also helped farmers to diversify into other products: for example; soya, macadamia nuts, mushrooms and potatoes.

Figure 45 – Aid for Trade in LDCs
(% of total LDC responses)



Source: TAC, EAMR 2011

Figure 46 – Monitoring and Evaluation
(‘Important’ % of total responses)



Source: TAC, EAMR 2011

6.6 Conclusions

This year’s AfT monitoring exercise demonstrates that EU and Member States continue to advance in the implementation of EU AfT Strategy particularly through a continued effort to increase the impact of AfT delivery.

The responses to the AfT questionnaire show that albeit from a low level a progressive improvement is taking place in terms of joint operations and harmonisation, inclusion of strategic regional economic integration priorities into the national development plan or trade strategy and partner-donor policy dialogue. However, it appears from the report that in many cases a national trade needs assessment has not been undertaken or a trade strategy is not in place and not reflected into the national development plans. Furthermore, civil society and private sector seem to be little involved in the AfT dialogue

In order to preserve this momentum and further bolster the effectiveness of the AfT:

- It is vital to pay more attention to LDCs through a direct support to mainstreaming of trade in their national and regional strategies and a better use of existing multi-country instruments like the Enhanced Integrated Framework (EIF) to identify their needs and priorities. Furthermore, particular attention should be paid to improve the Business Enabling Environment in these countries in order to attract more foreign and domestic investments and reduce their dependence on grants in AfT.
- Better coordination and dialogue between Commission and Member States are required to benefit the most from complementarities and to align to development strategies of partner countries as much as possible, supporting efforts to integrate inclusive and sustainable growth dimension in these strategies.
- Need for more transparency and efficiency in trade policy making through a more regular involvement of civil society and private sector in AfT dialogue.
- Continue to give support to partner countries' own monitoring of results and impact of Aid for Trade and the progress of their trade development strategies. Obtaining in-country

data and defining suitable indicators remain among the major challenges in assessing AfT programmes and projects.

APPENDIXES

See VOL 4.