



Federal Ministry
for Economic Cooperation
and Development

SPECIAL 160

Monitoring German Contributions in Trade-Related Development Cooperation



Preface

In 2006, donors decided to phase out reporting of trade-related assistance to the Trade Capacity Building Data Base (TCBDB) with a view to achieving improved and broader reporting within all five (genuine) aid for trade (AfT) categories under the OECD creditor reporting system (CRS) from 2007 onwards. Given that TCBDB reporting allowed a high degree of subjectivity in the calculation of trade-relevant shares and in what was ultimately reported, CRS reporting can be seen as a major advance in terms of the harmonisation, completeness and accuracy of AfT data. For instance, because of the high number of German development activities, pre-CRS reporting used to be incomplete. However, the move to the CRS has inevitably meant a change in method, creating new difficulties, such as incomparability of data and to some extent intransparency of data compilation. For example, TCBDB codes for reporting trade-related assistance activities and the definition for identifying attributable trade-related shares cannot be translated one-to-one to the CRS and the newly developed trade development marker.

In particular, introducing the trade development marker is proving complicated, swift and thorough implementation is difficult, and proper application is not easy to achieve. Thus the trade development marker cannot be expected to generate comprehensive figures for several years. However, the EU pledged to raise trade-related assistance alone to EUR 2 billion (1 billion each from the EU and the Member States) by 2010. This makes thorough and, above all, timely monitoring of both Commission and Member State contributions imperative.

The German Federal Ministry for Economic Cooperation and Development (BMZ) has been putting great efforts into generating precise fig-

ures for trade development since the beginning of 2008 and decided to follow an alternative approach to recording trade development – with a view to achieving more transparency in reporting and analysis. The study “Monitoring German contributions in trade-related development cooperation: A review by sector, region and instrument” was carried out on behalf of the BMZ by two independent consultants from the University of Göttingen. The main aim of the study is to arrive at statistically sound proxies to compute German trade development figures and overall AfT volume. This interim approach is to be used to monitor German aid for trade categories until the trade development marker yields comprehensive results. The study also aims to clarify the sources and magnitude of discrepancies between past TCBDB figures and the actual volume of German trade development spending, which accounts for a substantial part of the EU pledge.

The complexity of applying the marker and of proper compilation of trade development figures leads to approaches which are not homogeneous and to both upward and downward distortions of actual volume. For instance, recent information from the OECD Working Party on Statistics suggests that – in contrast to the original intention – measures marked as relevant for trade development are always recorded with 100 per cent, irrespective of how they are scored (significant or principal). Ensuring harmonised practices remains a challenge, but is necessary if aid for trade monitoring is to be improved. With this in mind, another aim of the study is the dissemination of methods with a view to increasing transparency and contributing to the further harmonisation of donor practices.

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List of Abbreviations

ACP	African, Caribbean, Pacific states
AfT	Aid for Trade
BMZ	German Federal Ministry for Economic Cooperation and Development (BMZ)
BPC	Building Productive Capacities
CIM	Centre for International Migration and Development
CRS	Creditor Reporting System
DAC	(OECD) Development Assistance Committee
DED	Deutscher Entwicklungsdienst (German Development Service)
DEG	Deutsche Investitions- und Entwicklungsgesellschaft mbH (The German Investment and Development Company)
EI	Economic Infrastructure
EU	European Union
FC	Financial Cooperation
GTZ	Gesellschaft für Technische Zusammenarbeit (Association for Technical Cooperation)
InWEnt	Internationale Weiterbildung und Entwicklung (International Training and Development)
IA	Implementing Agencies
KfW	Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation)
OECD	Organisation for Economic Cooperation and Development
PPP	Public Private Partnership
PTB	Physikalisch-Technische Bundesanstalt (German National Metrology Institute)
SME	Small and Medium-sized Enterprises
TCBDB	Trade Capacity Building Data Base
TA	Technical Assistance, i.e. Capacity Building
TD	Trade Development
TPR	Trade Policy and Regulations
TRA	Trade Related Assistance
TRAdj	Trade Related Adjustment
WTO	World Trade Organisation

Executive Summary

The European Union (EU) has committed to spending EUR 2 billion a year on trade-related development cooperation from 2010 onwards, with the European Commission providing EUR 1 billion and EU Member States providing the other EUR 1 billion. Germany's contribution as a Member State in accordance with its share in the EU budget (approx. 22%) is estimated at EUR 220 million a year. This contribution relates only to trade-related assistance (TRA), i.e. the narrower definition of Aid for Trade (Aft), which according to the WTO Aft Taskforce definition includes categories 1 (trade policy and regulations) and 2 (trade development). The broader definition of Aid for Trade also includes economic infrastructure (category 3), productive capacity building (category 4) and trade-related adjustment (category 5).

Based on the data provided under the Trade Capacity Building Data Base (TCBDB) by the Member States and OECD calculations, total TRA by the Commission and EU Member States in 2005 was roughly EUR 1.2 billion. Compared with the quantitative goals of the EU Aft strategy, which are intended to apply from 2010 onward, this would mean a shortfall of EUR 800 million. In the context of the joint EU Aft strategy (October 2007) the Commission and EU Member States have accordingly made it their goal to increase their TRA in order to achieve the agreed targets from 2010 and to improve the monitoring of Aft. In addition, 50% of the increased spending on trade-related development assistance (compared with the base year of 2005) will specifically benefit the ACP states.

Owing to the EU's commitments, the need for current and comprehensive data on TRA has risen considerably. In the course of harmonising data collection, the donors decided to discontinue collecting Aft data in the Trade Capacity Building Data Base (TCBDB) in 2006 and transfer collection

to the OECD Creditor Reporting System (CRS) as of 2007. There are many reasons for the transfer to CRS, including eliminating two fundamental drawbacks. TCBDB data were based on the TRA shares reported for each individual project by individual implementing agencies, and federal and *Laender* ministries. The associated individual entries led to high administrative cost and resulting inaccuracy and incompleteness in estimating total TRA. Specifically, implementing agencies with a significant number of projects in the relevant codes, of which usually only a small number are relevant to TRA, were faced with an extensive workload to identify these. It was necessary to determine the TRA relevance of each individual project on a case-by-case basis. Therefore, the shares relating to TRA were oftentimes only roughly estimated. Consequently, the TRA share of each individual project was subject to potential error. In addition, different implementing agencies applied different criteria in evaluating the TRA share. Thus it is not unlikely that the combined measurement error in TCBDB tables, which resulted from inaccurate and incomplete reporting on individual projects, was considerable.

The transfer to CRS reporting mentioned above, which coincides with both the sharp increase in interest in TRA contributions by EU Member States and the political target for the narrow definition of Aft, has not been entirely without problems in documenting TRA. While the WTO Aft Taskforce definition states clearly that only the contributions for projects in categories 1 (trade policy and regulations) and 2 (trade development) can be classified as TRA, there is the problem that the TRA contributions in category 2 cannot be directly assigned to CRS purpose codes. Projects falling under CRS purpose codes in categories 1, 3 (economic infrastructure) and 5 (trade-related adjustment) are entered and credited at

100% of their total value (and in the case of category 1 projects, allocated in full to TRA).

However, category 2 is a subcategory of category 4 (productive capacity building) and does not have its own CRS codes. The OECD policy marker “trade development”, introduced in 2008, is intended to identify the relevant share for category 2 of a project whose CRS code would otherwise put it in category 4. This is the case for example if farms are being promoted and the measure is partly or predominantly aimed at trade development. The marker “trade development” will probably only take full effect in several years, while currently there is already an urgent need to determine the trade development share of category 4 projects. By contrast, determining the TRA share on a project by project basis, as previously done for the TCBDDB, involves substantial and unreasonably high administrative resources.

A further problem which has arisen with the shift to CRS reporting is the coverage of CRS codes. The WTO and OECD have clearly defined which CRS codes are allocated to the various AfT categories. However, this does not automatically mean that all trade-related measures are included. Donors are accordingly allowed to claim other CRS codes as relevant to AfT and TRA, where appropriately justified – for example, where trade-related projects are implemented in other CRS codes, or cannot be separately shown there as programme components. In the case of Germany, this applies to CRS codes 151xx (government and civil society), 400xx (multisector and cross-cutting measures) and 500xx (commodity aid and general programme assistance). In contrast to the purpose codes defined by WTO-OECD as relevant to AfT (which can always be allocated in full to the categories in question), projects under CRS codes 151xx, 400xx and

500xx must first have the shares of the total value of projects that are relevant for AfT (and TRA) identified, which involves considerable effort.

The present study aims to meet these new needs and requirements and to submit and justify reliable estimates (proxies) for the average TRA-relevant shares for category 2 (trade development, in future entered under OECD marker) and BMZ specific purpose codes to German Federal Ministry for Economic Cooperation and Development (BMZ)¹. The client here is looking for a simplified and methodologically improved data collection basis for monitoring, reporting and programme operationalising of trade-related development cooperation. The advantages of reliable AfT and TRA proxies for the CRS codes involved include cutting the time outlay compared with individual AfT/TRA recording of projects and also the resulting reduction in systematic distortion of the estimated TRA total.

In a first step, we used random samples based on project descriptions to review how far German implementing agencies (KfW, DEG, GTZ, PTB, CIM, DED, InWEnt) have succeeded in allocating their new measures (2004 – 2006) correctly to the CRS codes involved, with the focus on appropriate recording of the TRA or AfT shares. A special case here was the DEG², which was unable to supply project descriptions for institutional reasons. For the same reasons, DEG projects were until recently not allocated to any specific CRS purpose code, which significantly affected the determination of total German AfT and TRA, as far too few or none of DEG projects have been included to date in total German AfT and TRA.

Allocation of specific projects to individual CRS codes was generally handled well by all the imple-

1 BMZ Division 315 (Globalisation, Trade and Investment)

2 DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH) is part of the KfW Banking Group. As a market oriented investment and development company DEG provides equity and risk capital to private business structures in developing countries.

menting agencies. However, evaluating the correctness of the coding of AfT and TRA shares was subject to certain restrictions. For example, several project brief descriptions lacked information on how far tourism projects were concerned with domestic tourism or international tourism, and to what extent agricultural projects were promoting products for export or domestic consumption. The vague definition of AfT by the WTO and OECD also frequently left it unclear how far projects promoting national trade and integration should be included as trade-related projects according to WTO-OECD ideas.

In a second step, an attempt was made to develop proxies at CRS 3-digit level, based on the data reported by the individual implementing agency for 2004, 2005 and 2006. When aggregation at the 3 level proved insufficiently robust, the next step was to investigate whether the 3-digit codes could be broken down into two or more groups of 5-digit codes. If this also proved insufficiently robust, the final question was whether proxies at the 5-digit level seemed reasonable. It was proposed to continue with project-specific reporting if this also proved negative. Statistical analysis here is based on univariate analysis of variance. Table 2 in section 4 shows the main results of proxy development. Statistical analysis showed that for most CRS codes considered proxies were successfully identified at either CRS 3-digit or 5-digit level. Only for CRS codes 240xx, 321xx and PPP projects did it prove not possible to develop relevant estimates.

In the next step, the proxies developed – and, in the case of CRS codes 240xx, 321xx and PPP projects, the arithmetical average of the AfT or TRA shares – were used to calculate the German AfT and TRA contributions for 2005 – 2007. The results of applying the proxies and estimates to the full list of German technical assistance (TA) and financial cooperation (FC) projects for the period under consideration are shown in the tables in section 5, broken down by regional focus. The resulting totals differ in some cases substantially from those

reported under the TCDBD. For example, according to TCDBD, approx. EUR 62 million were spent on TRA in 2006. Based on the proxies, the total is approx. EUR 243 million. The difference of EUR 181 million can be explained by breaking down the total into the contributions of the individual implementing agency. Except for the KfW, all agencies reported a far lower volume of TRA to the TCDBD than would be correct on the basis of the proxies. It is accordingly assumed that the high effort involved in individual entry led to a failure to identify all TRA-relevant projects and attribute a positive TRA share to them. The comparison between the TCDBD reports and our proxy-based calculations is further complicated by the fact that the coverage was incomplete. During the TCDBD period, a substantial number of the projects of several agencies (DEG, DED, InWEnt, GTZ) were reported as not relevant to TRA, or not reported at all.

The totals calculated on the basis of the proxies for AfT (i.e. broad definition) and TRA (narrow definition) include much interesting information on the amount and composition of the German AfT and TRA contributions. For example, to obtain a better idea of the origins of the German AfT/TRA contribution, we investigated how the contributions within certain CRS code groups, by individual agencies, and under FC and TA respectively relate to the AfT/TRA overall total. We further investigated the breakdown of TRA contributions to individual country groups. This shows that the failure to include projects of individual implementing agencies which are relevant to AfT in the OECD reporting was a primary reason for the higher German AfT contribution identified by our calculations. It should also be stressed that the official reports to date only took partial account of DEG measures, and the reporting was not sufficiently disaggregated in sectoral and regional terms for the purpose of detailed analysis. Including the DEG in the total for German AfT and TRA explains almost the entire sharp increase in the AfT and TRA contribution between 2005 and 2006, with much of the DEG totals allocated to

category 2 (and accordingly relevant for both AfT and TRA). While the DEG's AfT and TRA contribution declined significantly between 2006 and 2007, the remaining DEG total for AfT and TRA still accounts for a considerable share.

The authors are aware of the limitations of the present study. First, there were limits due to the use of project brief descriptions and the restriction of the review of CRS allocation and AfT shares based on a limited random sample of the projects entering into question. This procedure means that inaccuracies cannot be ruled out. However, given the time available for the study, no other methodology was more appropriate. It should also be noted that the period available for the study (2004–2006) is very short for making reliable predictions of the development of total German AfT. There were also variations in the allocation of the AfT share to the various CRS codes over the course of time, so that the possibility that the AfT shares in the CRS codes could change over time cannot be ruled out.

It was not possible to develop a proxy for some purpose codes in calculating AfT totals. As no other practicable alternative is available in such cases, the average was used for further calculations. This means that major inaccuracies in calculating the AfT total for the CRS codes involved cannot be ruled out. The statistical methodology we chose for identifying the proxies is not the only statistical technique for developing proxies. It is accordingly possible that other methodologies could lead to different results. However, we believe that the chosen method has several advantages over many other approaches, and there is no obvious reason why other methods should be better.

Despite the uncertainties described here, the results of the present study are a considerable improvement on previous practice, and provide an approach for simplifying and improving the accuracy of annual reporting of the German AfT and TRA contribution.

1 Introduction

In the course of harmonising data collection, the donors decided to discontinue collecting AfT data in the Trade Capacity Building Data Base (TCBDB) in 2006 and transfer collection to the OECD Creditor Reporting System from 2007. As trade-related development cooperation is a cross-cutting issue without sectoral delimitations, and there is also a shift in methodology, correct and consistent recording of actual TRA is not a simple matter.

Owing to the EU's commitments, the need for current and comprehensive data on TRA has risen considerably. The present study aims to meet these new needs and requirements and³, to submit and justify reliable estimates (proxies) for the average TRA-relevant shares for category 2 (trade development, in future entered under OECD designation) and BMZ specific purpose codes to BMZ Division 315 (Globalisation; trade; investment). The client here is looking for a simplified and methodologically improved data collection basis for monitoring, reporting and programme operationalisation of trade-related development cooperation.

To achieve this goal, we proceeded in four stages in consultation with the BMZ and the GTZ sector project.

- 1) We reviewed the data on AfT/TRA shares and totals for new measures reported by the implementing agencies (IAs) for the period 2004 – 2006. In the case of inaccurate estimates, the shares and CRS codes were corrected, where possible and helpful.

- 2) Based on the corrected data reported by the IAs for 2004 – 2006, proxies were developed for each CRS purpose code or group of CRS codes for which a proxy seemed statistically robust.
- 3) The proxies were used to estimate AfT shares for the narrow and broad definition for the period 2005 – 2007 by region, ACP countries, EPA regions, CRS groupings and IAs.
- 4) The cause and size of the quantitative difference between the actual totals for 2004 – 2007 and the TCBDB figures were investigated and analysed by the largest differences for each purpose code.

The report on the study follows the above steps chronologically. Section 2 gives a brief overview of the most important definitions and criteria used in determining AfT and TRA shares. Section 3 reviews the quality and reliability of AfT and CRS coding by the individual IAs. The development of the proxies is explained and documented in section 4. Section 5 presents the main empirical results (recalculation of AfT and TRA figures, time series tables etc), and sections 6 looks more closely at the differences compared with TCBDB and explore these in more detail.

³ in collaboration with the GTZ sector project Trade Policy, Trade and Investment Promotion

2 Formal Reporting of ‘Aid for Trade’ Shares

The present study is based on the OECD and WTO definitions and guidelines for reporting AfT measures and shares. To help understand the study, the following sections give a brief overview of the OECD and WTO published guidelines. More detailed descriptions are contained in the OECD and BMZ documents cited in the references.

To operationalise the AfT concept, the WTO AfT Taskforce defined six categories for measures relevant to AfT. These are:

- Category 1: Trade policy and regulations
- Category 2: Trade development
- Category 3: Economic infrastructure
- Category 4: Building productive capacity
- Category 5: Trade-related adjustment
- Category 6: Other trade-related needs.

The classification in six categories is also used to distinguish between the *narrow* AfT definition as trade related assistance (TRA), i.e. categories 1 and 2, and the *broad* AfT definition, or categories 1 – 6.

In order to cover trade-related projects and project totals in all five genuine AfT categories better and more completely, the donors in OECD decided to abandon the existing practice of data collection through TCBDB (which only covered categories 1 and 2) and switch exclusively to the Creditor Reporting System (CRS) developed in 1967. However, the CRS at that time did not allow classification of AfT projects as accurately as had been possible under the TCBDB system. For this reason, an additional CRS code was introduced, existing coding was modified, and a Trade Development marker was introduced to allow

better coverage of projects in the various AfT categories. The Trade Development Marker in its current form only relates to CRS codes which can be predominantly allocated to category 4.

Using the CRS coding of projects and subprojects it is possible in principle to identify the corresponding AfT volume in categories 1 (trade policy and regulations), 3 (economic infrastructure), 4 (building productive capacity) and 5 (trade related adjustment), and to show these for the narrow and broad definition by implementing agencies and regions. With regard to classification of projects in categories based on their CRS codes, the OECD allocation shown below is binding, with category 2 (trade development) almost entirely a subcategory of category 4, identified by a trade development marker. In addition there are CRS codes added in category 6 specific to BMZ which potentially contribute to TRA or AfT.

The AfT CRS purpose codes are assigned to the six AfT categories as follows:

Category 1 (Trade policy and regulations)

- 33110, 33120, 33130, 33140, 33181 (100% eligible)

Category 2 (Trade development)

- 240xx, 311xx, 312xx, 313xx, 321xx, 322xx, 332xx (between 0 % and 100% qualifies)
- 25010 (100% eligible)
- Identification by OECD trade development marker.
- Until the marker is fully implemented, the donors may report totals which qualify

partly or fully (as a subcategory of category 4) through the OECD-WTO AfT questionnaires by using category 6 as a reporting channel.

Category 3 (Economic infrastructure)

- 21010, 21081, 22010, 22040, 23010, 23082 (100%)

Category 4 (Building productive capacity)

- 240xx, 311xx, 312xx, 313xx, 321xx, 322xx, 332xx (up to 100%, or as residual of category 2)
- 25010 (0%)

Category 5 (Trade-related adjustment)

- 33150 (100% eligible)

Category 6 (Other trade related needs)

- BMZ specific, 15110 – 15140 (partly to fully eligible)
- BMZ specific, 400xx, 500xx (partly to fully eligible)

According to OECD, allocation of AfT totals for a specific project is done *automatically* by assigning the project to a specific CRS purpose code. However, this does not apply for determining TRA shares. While projects which come under category 1 according to OECD are also allocated 100% to TRA, this is not the case for projects in category 2. As category 2 consists predominantly of only the TRA-relevant shares of category 4 projects, it is first necessary to determine the TRA share of

the projects concerned. The shares of these projects which are relevant to TRA can vary between 0% and 100%. One exception is CRS purpose code 25010, which is always 100% allocated to TRA and AfT in category 2, and accordingly shown as 0% AfT in category 4. Although the allocation of TRA shares of category 4 projects to category 2 has no consequences for the absolute level of AfT, there are resulting differences in terms of the composition of the AfT total. This distinction is extremely relevant for the EU's quantitative (TRA) goals. However, in terms of the OECD definitions, this only affects categories 2 and 4, with the totals for AfT in category 4 reduced by exactly the amount shown as TRA in category 2. For category 2, as for category 1, the TRA total is also the AfT total.

Besides the set CRS codes needed to identify the AfT and TRA totals, the OECD gives donors the option of recording contributions relevant to AfT which are “hidden” in specific purpose codes and reporting these to the WTO-OECD in the AfT questionnaires under category 6 (Other trade related needs) as partly or wholly eligible. There are certain special features of German development cooperation which have to be taken into consideration here.⁴ For example, it is not uncommon for measures relevant for AfT and TRA to be included in CRS codes 15110, 15120, 15130, 15140, 400xx and 500xx.⁵ In contrast to the CRS codes designated by the OECD as relevant to AfT, it is first necessary to identify the contribution relevant to AfT in these BMZ specific purpose codes. Accordingly, it is possible to assign AfT shares between 0% and 100% for projects in purpose codes 15110, 15120, 15130, 15140, 400xx and 500xx. A further feature of these projects is that the AfT total could generally also be fully allocated as a TRA total. The reason for this is that German development cooperation

⁴ The WTO-OECD definitions allow individual countries to declare other CRS sectors as relevant for AfT and TRA. The German special features are dealt with below.

⁵ Detailed comments on projects in CRS codes 15110, 15120, 15130 and 15140 are given in section 3.2. In addition, it should be noted that the classification of CRS codes 15110, 15120, 15130 and 15140 to category 1 is based on a BMZ decision and is explained elsewhere.

generally allocates CRS codes 15110, 15120, 15130, 15140 to category 1, while categories 1 or 2 seem logical for CRS codes 400xx and 500xx. The present study is not concerned with determining whether totals for these purpose codes which are relevant to AfT and TRA should be reported subsequently in the OECD questionnaire. However, as such reporting is possible, the study also investigates possible development of proxies for CRS codes 15110, 15120, 15130, 15140, 400xx and 500xx.

This is an appropriate point to take a more detailed look at the separate case of category 2. Trade development (category 2) is an almost

complete subcategory of category 4 and does not have any CRS codes of its own. To record and distinguish the qualitative and quantitative contribution of category 2, donors have decided to introduce an OECD Trade Development Marker, which splits category 2 from category 4. The marker applies to CRS codes 240xx “Banking and financial services”, 25010 “Business support services & institutions”, 311xx “Agriculture”, 312xx Forestry, 313xx Fishing, 321xx “Industry”, 322xx “Mineral resources and mining” and 33210 “Tourism policy and admin. Management”.⁶

6 Cf. OECD/DAC January 2008

3 Specific Features of the German System and Evaluating the AfT Shares Reported by Implementing Agencies

BMZ asked their implementing agencies KfW, DEG, GTZ, PTB, CIM, DED and InWEnt to provide processed information on all projects coming under trade development marker relevant or BMZ specific sectors. For this, the projects had to be extracted on the basis of the five-digit CRS purpose code (CRS-5), the financial totals calculated, and the AfT shares estimated. For reasons of practicality (approx. 12,000 project data records), the data was not requested for all years, but only for new measures in 2004, 2005 and 2006. As this was the first time these data had been collected and presented in this form, it was expected that the individual agencies would differ widely in the allocation of projects to specific CRS codes and the associated determination of AfT shares. To evaluate the quality of the data supplied, random samples of project brief descriptions were obtained from all IAs except for the DEG.⁷ The following section describes the procedure for random sampling and the subsequent analysis.

3.1 Review using random samples

Based on the Excel tables provided, which showed all the projects of the IAs, individual project descriptions taken as random samples were requested (see Table 1).

Purpose of the sampling:

- Review the allocation of the individual projects to the CRS codes or DAC5 codes
- Review the allocated AfT shares based on the project description
- Compare CRS coding and attribution of AfT shares by different agencies
- Identify systematic inconsistencies in coding and estimating shares.

Based on the data provided, we attempted to identify proxies for “**problem**” CRS codes. These are codes where either the variation in assigning AfT or TRA shares was very great, or where there were problems with allocation of CRS codes. Closer investigation of these codes was urgently required, as the proxies had very limited informative value on the basis of the data provided.

After this first step, the samples were selected randomly. In view of the different nature of the individual IAs and type of project, the selection criteria were both general and agency-specific.

⁷ Because projects implemented involved confidential data in some cases, DEG was not able to provide any project descriptions. For this reason, DEG did not allocate projects to CRS codes in 2004 or 2005, and only did so retroactively for 2006 after the German contribution had already been reported to the OECD.

Table 1: Sample size by agency and CRS purpose code

Agency / CRS 3	151	240	250	311	312	313	321	331	332	410	420	Total
GTZ	12	4	0	6	1	2	5	0	0	0	0	30
KfW	0	21	0	11	4	0	3	0	0	0	0	39
DED	6	1	0	6	3	0	3	0	2	3	6	30
CIM	4	7	4	4	2	0	3	1	0	0	0	25
InWent	9	1	0	4	1	0	7	0	0	0	0	22
PTB	0	0	0	0	0	0	5	0	0	0	0	5
Total	31	34	4	31	11	2	29	1	2	3	6	151

3.2 Evaluation of coding and determination of shares

Based on the project descriptions, the allocation of projects to CRS codes and their AfT shares was reviewed. We believe that this revealed a number of systematic problems, which are discussed below. It should, however, be noted that the evaluations are based on the requested brief descriptions. Evaluations were accordingly not able to take into account information not included in these descriptions, but which may be included in more comprehensive documentation of a project. It should also be noted that there are generally no unambiguous criteria for allocating a project to a CRS purpose code.

1) CRS sector 151:

Government and civil society, general

CRS sector 151 is not shown at all in the OECD system for TRA, and possibly constitutes a special situation in the German system. Good governance is a priority area of German development cooperation at national and supranational level, and a number of projects and programmes relating generally to advisory services to governments and reforming public administration generally are allocated to this sector, including trade-related measures.

Allocation of a large number of trade-related projects to this CRS sector is proving less than op-

timal. As this is a very general area (advisory services at government level), there are many extensive projects and programmes which would have to be allocated entirely or at least in parts or components to other CRS codes in order to document their relevance for trade correctly. These are particularly the case for projects with high AfT shares, which in almost every instance should rather have been allocated to the sector 331 "Trade policy and regulations" (particularly for regional organisations) or sector 250 "Business and other services".

The AfT share of almost all correctly coded projects is between 0% and 20%, although 0% is the share given by IAs for the overwhelming majority of these. CRS sector 151 should accordingly be given a very small trade share (if any), and consideration given instead to allocating trade-relevant parts of projects to another CRS purpose code. However, trade-related parts or components of projects cannot always be separated, and OECD has not to date proposed multiple coding.

2) CRS sector 240:

Banking and financial services

Allocation of projects to this sector seems straightforward, based on the random samples.

Projects vary very widely in their trade-related shares. As these mostly involve credits which can be used in a very wide range of areas, this is en-

tirely plausible. There is, however, the problem that the final use of credits by recipients is not entirely clear, or at least often not adequately documented in the brief descriptions. This means it is often only possible to review the accuracy of the AfT share allocation in very vague terms. This problem is often not resolved by detailed project descriptions or discussions with project representatives, as occasionally IAs did not have information on the final use of the money. In addition, indirect trade effects, e.g. from promoting companies or agriculture, are often not taken into consideration, or are valued in very different ways in some cases (e.g. in valuing promotion of SMEs in terms of the possible associated effects on exports).

3) CRS sector 250:

Business and other services

All the projects reviewed in this sector were correctly allocated. However, some projects in other CRS codes should also have been allocated to this sector. For example, this sector includes cooperation with trade chambers and “legal and regulatory reforms to improve framework conditions for business and investment”. However, reforms in this area were frequently allocated to sector 151. If projects in sector 151 were in future reported under CRS purpose code 250xx, this would probably increase German TRA.

The AfT share of CRS purpose code 25010 is fully allocated to the trade development category by marker definition, i.e. allocated 100% to TRA. CRS sector 250 otherwise includes only purpose code 25020, which is not included in the marker definition.

4) CRS sectors 311, 312, 313:

Agriculture, forestry, fishery

When allocating to CRS codes, there are some overlaps with sector 410 “General environmental protection”. For example, projects focusing on sustainable management of natural resources can often be allocated to both sectors. However, there are no problems with coding otherwise.

AfT shares vary widely between projects. In sector 311 in particular, this can often be explained by the concentration of projects on areas of agriculture with differing export and trade shares. Overall, the review identified several problems with the allocation of AfT shares, and it was often impossible to follow the allocations on the basis of the descriptions (this applied to both excessive and understated valuations). The situation is similar for section 312. Given that the share of primary commodities in total exports is often high in developing countries, many projects should be assumed to have at least a small trade share (particularly projects with 0% trade share).

5) CRS sector 321: Industry

Allocation of projects to this CRS sector is comparatively successful. The dividing line between industry and other sectors of business is occasionally unclear.

AfT shares vary, but have a clear tendency to high levels, which can mostly be easily understood intuitively as well as on the basis of the descriptions.

6) CRS sector 331:

Trade policy and regulations

CRS sector 331 is shown 100% as category 1. Several projects in sector 151, specifically projects with very high trade shares, should be classified here. This would, as explained above, increase the German TRA total.

7) CRS sector 332: Tourism

Projects were correctly allocated to this CRS sector.

AfT shares of projects in this sector vary widely. One possibility would be to classify all projects in this sector by definition as primarily concerned with (foreign) trade development (services exports). However, the possibility cannot be ruled out that some individual domestic tourism projects are also promoted and recorded. It was not possible to check this adequately on the basis of available project descriptions. Presumably, this

will not apply to the overwhelming majority of cases.

8) **CRS sector 410: General environmental protection**

There are some difficulties in allocating projects to this CRS sector in terms of differentiation from other sectors, e.g. industry (industrial environmental protection) or agriculture, forestry or fishery (sustainable resource management). Projects in this sector should accordingly be carefully considered to determine to which thematic priority area they should be allocated.

Mostly, these are not trade related, but occasionally preserving biodiversity for the purposes of tourism can justify allocation. However, this is not explained in detail in the descriptions, so that this is pure speculation.

9) **CRS sector 430: Other multisector**

Allocation is difficult, as measures which relate to a number of different CRS sectors are allocated to this heading.

AfT shares vary widely, as a very wide range of measures can be included.

3.3 **General recommendations**

3.3.1 **Recommendations on allocating projects in certain CRS sectors**

1) **Government and civil society, general: sector 151**

OECD defines this sector as having no AfT relevance. Virtually all projects in this sector with high AfT shares could have been properly allocated to other CRS sectors. In principle, it seems that, given appropriate allocation of projects, the proxy for the 151 sector can be assigned a 0% AfT share. One exception is purpose code 15110, where there were AfT shares up to 20% in individual instances.

2) **Trade, international or national**

There seem to be some confusion about the definition of trade. Some projects which clearly promoted only retailing or trade within a country were shown as having high AfT shares. However, only measures aimed at regional or multilateral international trade can be regarded as AfT. The problem remains that the WTO-OECD definitions are relatively broad and imprecise, so that based on this definition (e.g. strengthening competitiveness generally), promotion of trade between the individual regions of a country could also be classified as relevant to AfT. It is accordingly up to the WTO-OECD to clarify what kinds of trade the AfT and TRA statistics are meant to cover.

3) **Tourism as trade**

The OECD leaves open the option of giving tourism projects a trade share of less than 100%. However, tourism is at its core a matter of trade in its goal and effect (e.g. foreign currency income) as an export of services. Allocation of a 100% trade share accordingly seems legitimate and useful, and would also facilitate recording and the development of proxies.

4) **Valuation of business promotion**

The trade share of promoting SMEs is valued very differently in the projects in the random samples. This generally applies to projects in the CRS sector 240, rather than the purpose code 32130. For example, the KfW has several projects in the 240 sector where banks and credit institutions are being promoted in recipient countries in order to initiate or finance SME programmes in their countries. Based on the available brief descriptions, it is only vaguely possible to determine what kind of SMEs are being promoted, so that allocation of TRA shares can frequently be checked only to a limited extent. One suggestion would be e.g. to deal more exactly with the trade relevance of the groups of enterprises promoted in the description.

5) Proxies for regional projects, PPP facilities and meta projects

The DED allocates various subprojects to a meta project. These subprojects would not necessarily be allocated to the same CRS purpose code, but are all subsumed under the CRS purpose code for the meta project. Similar considerations apply to projects in the GTZ PPP facilities. In future, various changes and more integrated programmes will increase the allocation of subprojects to a single CRS purpose code (of the meta project). Such a structure poses serious problems for the use of proxies. Based on the similarities between projects in the same sector, a proxy is able to provide an estimate of the trade share.

However, if projects from different CRS codes are consolidated in a single code, this is only possible to a very limited extent. The use of a proxy is accordingly only meaningful at the level of the subproject. To a limited extent, it seems possible in practice to break down regional or meta projects into different CRS codes. For example, InWEnt has succeeded in this, as such projects and the associated totals can mostly be split between two CRS sectors.

6) Sectors with probable trade relevance

Various sectors very probably have some relationship with trade, even if this is not directly mentioned in the project descriptions. This applies e.g. to the production of primary commodities, which often account for a high share of total exports of developing countries. Similarly, parts of developing country industrial production are also mostly exported. Promotional projects in these areas should accordingly be reviewed more closely for indirect trade relevance (specifically where there are very small or no AfT shares).

7) Market integration

Projects concerned with regional integration, such as the EU economic partnership agreements, or preparing for WTO membership could e.g. be allocated to sector 331. In any case, they should have high trade shares, which has occa-

sionally not been the case in the estimated shares of the IAs in question.

8) CRS sector 430: Other multisector

Owing to its diversity, this CRS sector is not suitable for the use of proxies. Allocation of projects to this sector should be avoided, if possible. However, this CRS sector is an option for major projects which cannot be disaggregated, and relate to a large number of different CRS sectors. As such, the sector is a possible alternative in some cases to sector 151 "Government and civil society, general".

3.3.2 Other recommendations and comments

1) Explicit mention of trade relevance

The allocated AfT shares often cannot be checked on the basis of the brief descriptions. An important point for crediting projects to TRA in the OECD marker definition involves clear mention of trade promotion as a primary or secondary goal in the project description. For the most part, such a reference is absent from the samples of all IAs. As the marker is a recent introduction, and trade development has not had great significance, this is understandable. However, it will be necessary in future to ensure that the marker criteria are included in the classification of projects. We feel it is very important that measures concerned with stimulating export should be clearly defined as such. This relevance has not been mentioned to date for many projects, although the nature of the projects suggests it. It is accordingly essential in future for project descriptions to cover their trade relevance in more detail, if at least parts of the project funds are to be credited as TRA. Several descriptions are also vague, and mention e.g. marketing as an area of activity without specifying whether this involves local or international marketing.

2) Differences between implementing agencies

The review of data for questionable coding and share identification did not show any systematic

overvaluation or undervaluation of AfT shares by any of the IAs. Generally, it was mostly individual projects which were not optimally allocated or whose AfT share was incorrect.

A number of examples are given in the Appendix to illustrate the problems mentioned with regard to allocation to CRS codes and identification of AfT shares and lack of clarity in descriptions.

3) **OECD guideline for trade development marker and avoiding double counting**

Section 2 briefly discussed the allocation of AfT shares based on allocation of projects or sub-projects to specific CRS codes. The OECD always credits 100% of projects in categories 1, 3, 4 and 5. The marker allows qualitative and quantitative distinction of all projects in category 4 concerned with trade development, and enables supplementary OECD reporting on category 2, although this is likely done only in aggregate form. It remains to be seen how far OECD's AfT monitoring can show the exact totals in category 2 by individual CRS codes and countries.

The introduction and full application of the marker is very time consuming, and the marker will probably only be usable for new projects because of the effort involved. However, to calculate AfT totals (narrow and broad definition) in a timely manner, BMZ (Division 315) has decided as an interim solution to develop a proxy for identifying the CRS codes relevant to trade development in category 4 (where this is statistically justifiable). The resulting totals are allocated to the narrow AfT definition (category 2) and the data series correspondingly reduced for category 4 (by 100% for 25010 and 33210).

According to BMZ information, the EU and its Member States plan to report trade development totals in category 2 through the OECD-WTO AfT questionnaire. We recommend ensuring close consultation between the WTO and OECD on AfT monitoring, with the overall totals appropriately consolidated.

4 Development of Proxies for Purpose Codes

4.1 Basic concept of the statistical analysis

In the following sections, statistical techniques are used to analyse how far mean-based proxies are statistically justifiable for the relevant CRS-3 sectors or less aggregated purpose codes of these. The basic concept of the statistical analysis is that a proxy is only considered reliable or suitable for future application if it provides correct results, not only at the level of the universal set (i.e. total sample of the CRS-3 sector), but also for each IA and for each disaggregated purpose code. This is the case if there is no significant difference for the proxy sector (e.g. CRS-3 code) between the means for the individual IAs and for the disaggregated codes (CRS-5).

The first step is to develop proxies at the 3-digit level. If aggregation at this level proves insufficiently robust, the next step is to investigate whether the 3-digit codes could be broken down into two or more groups of 5-digit codes. If this also proves insufficiently robust, the final question is whether proxies at the 5-digit level seem reasonable. If this also proves negative, it is proposed to continue with project-specific reporting.

The statistical analysis is based on univariate analysis of variance. This looks at two or more independent samples to determine whether their means can be regarded as homogeneous. A given population (all projects) is partitioned into k groups (e.g. IAs) and described by a measurable characteristic X (TRA share). Here, k describes the division into six different IAs or n different disaggregated groups (e.g. 5-digit codes) and X is the trade-related share of the individual projects. The homogeneity or null hypothesis is $H_0: \mu_1 = \mu_2 = \dots = \mu_k$, for the k unknown mean values μ .

Analysis of variance is first used to study the variation of CRS-3 codes between institutions and CRS-

5 codes. The means (mean values) for the TRA shares for a CRS-3 code are compared separately between IAs and CRS-5 codes. To put it another way, the test determines whether the means for a CRS-3 code calculated for each IA differ significantly from each other. At the same time, it tests whether the means for the CRS-5 codes differ significantly within a CRS-3 sector. If the two tests show no significant difference in the means, a proxy for the CRS-3 code is regarded as statistically robust.

If, however, no reliable proxy can be developed at the CRS-3 level of aggregation, the next step is to see if a robust proxy can be formed at the CRS-3 level if a distinction is made between financial cooperation (FC) and technical assistance (TA). If this is not possible either, graphic analysis of CRS-3 shares according to IAs reporting sample is used to see if a lower level of aggregation (aggregation of selected CRS-5 codes within a CRS-3 sector) can be found for which a proxy would be useful, in order to perform the same analysis of variance. Here again, the proxy is only regarded as robust if the analysis across IAs and the lower level of aggregation shows that the means are not significantly different. If it is not possible to identify a robust proxy for lower levels of aggregation, the next step is to see if distinguishing between FC and TA at the lower level of aggregation enables us to find a proxy.

If a proxy cannot be found for lower levels of aggregation, the next step is to investigate whether the CRS-5 purpose code can be used as a proxy. Here, the only test is for homogeneity of means between IAs, as there is no lower level of aggregation.

Finally, for each sector for which a proxy is identified, a 95% confidence interval is established for

the proxy. This confidence interval can be used to determine where there is a less than 5% probability that an estimator is outside the interval. The smaller the confidence interval, the more reliable the proxy is.

4.2 Proxy development

4.2.1 CRS-3 codes for which proxies were found directly at the CRS-3 level

The STATA statistics software was used to carry out analysis of variance to test homogeneity of the means of trade-related shares for each relevant CRS-3 sector, first between the six IAs and then between the lower-level CRS-5 purpose codes.

The statistical analysis confirmed the assumption based on the graphic analysis that proxies are statistically robust at the CRS-3 level for sectors **312 and 313**. For these two sectors, there is no significant difference in the means of the trade-related shares, either between IAs or between the underlying 5-digit purpose codes. The proxies and the confidence intervals are shown in Table 2.

Owing to the small sample (two projects), it is not possible to perform statistical analysis for CRS sector **322**. However, both projects have a share of 0, so that the proxy is also set at 0.

After discussion with BMZ, the proxy for sector **332** “Tourism” is set at 100%. As the mean for the sector’s TRA share is over 90%, this approach seems reasonable.

For all other CRS-3 sectors, the H_0 hypothesis (no significant difference between the mean AfT shares between IAs or 5-digit codes) is rejected. Based on this, we recommend avoiding proxies at the 3-digit level in these sectors, and identifying proxies instead at lower levels of aggregation.

4.2.2 CRS-3 codes for which proxies were found below the CRS-3 level

Based on a descriptive AfT analysis by CRS-5 purpose codes, we investigated the statistical robustness of breaking down the CRS-3 sectors into two or more groups.

For the **311** sector “Agriculture” it is necessary to distinguish between FC and TA as well as between specific CRS-5 purpose codes. A proxy is clearly recommended for the group 31110/31120, which accounts for 75% of the CRS-3 sector total. The analysis of variance shows homogeneity of means for both the IAs and the two CRS-5 purpose codes. The residual group is too heterogeneous to develop a good proxy across both IAs and CRS-5 purpose codes. However, the group can be further divided into two groups: the group 31161/31162, which has a very high share of up to 100%; and a residual group. Although the group 31161/31162 shows a very wide confidence interval, the proxy should be very stable, as the wide confidence interval is primarily due to the small number of observations in the group. The residual group can be divided again into FC and TA in order to obtain robust proxies. For TA, we obtain the robust result that the means are homogeneous between IAs and CRS-5 codes. In the case of FC, the H_0 hypothesis (homogeneity) is rejected for institutions but not for CRS-5 codes. This leaves the decision whether to continue to evaluate the residual group individually, or – given the low significance of the residual group – whether to use the proposed proxy and accept resulting errors.

4.2.3 CRS-3 sectors for which proxy development was not possible

Ultimately, it was not possible to develop a proxy of any kind for sectors **240** and **321**, due to the high degree of heterogeneity in TRA coding between institutions and CRS-5 purpose codes. It is not even possible to distinguish between FC and TA or to develop a proxy for the individual CRS-5 purpose codes, as variance between institutions is too great here as well.

Table 2: CRS specific purpose code proxies⁸

CRS 3	Group	Recommended Proxy		95% Confidence Interval			
		TA	FC	down		up	
				TA	FC	TA	FC
240		Proxy development not possible					
	31110/31120	45.0%		38.4%		54.2%	
311	Remainder	12.0%	22.0%	8.0%	12.4%	15.6%	31.4%
	31161/31162	70.0%		24.4%		118.1%	
312	Complete	18.0%		12.7%		23.9%	
313	Complete	20.0%		15.3%		27.2%	
321		Proxy development not possible					
322	Complete	0.0%		0.0%		0.0%	
332	Complete	100%		79.9%		101.7%	

⁸ For F statistics, p values and analysis of variance see table 6 in the appendix

Table 3: AfT voume by CRS codes and category, average 2005 – 2007

Category	CRS code	Share/Proxy	EUR million	% of AfT total
TPR		100.0%	14.7	1.4%
	331xx except 33150 – Trade policy and regulations	100.0%	14.7	1.4%
TD		24.5%	195.1	18.7%
	240xx – Banking and financial services	8.0% ¹	25.1	2.3%
	25010 – Business support services and institutions*	100.0%	101.6	9.8%
	311xx – Agriculture	27.8%	33.3	3.3%
	312xx – Forestry	18.0%	6.7	0.7%
	313xx – Fishery	20.0%	0.9	0.1%
	321xx – Industry	35.0% ¹	25.8	2.4%
	322xx – Mining	0.0%	0.0	0.0%
	33210xx – Tourism	100.0%	1.8	0.2%
EI		100.0%	367.4	35.3%
	210xx – Transport and storage	100.0%	137.7	13.7%
	220xx – Communication	100.0%	15.1	1.5%
	230xx – Energy	100.0%	214.5	20.1%
BPC²		79.6%	470.3	44.5%
	240xx – Banking and financial services	92.0%	288.2	26.7%
	25010 – Business support services and institutions	0.0%	0.0	0.0%
	311xx – Agriculture	72.2%	95.5	9.5%
	312xx – Forestry	82.0%	30.5	3.1%
	313xx – Fishery	80.0%	3.4	0.3%
	321xx – Industry	65.0%	47.9	4.4%
	322xx – Mining	100.0%	1.3	0.1%
	33210 – Tourism	0.0%	0.0	0.0%
TRAdj	33150 Trade related adjustment	0.0%	0.0	0.0%
AfT total³			1047.5	100.0%

Source: *BMZ; 1) calculated with arithmetical averages; 2) residual of TD; 3) disbursements

5 The Current German TRA and AfT Contribution, Based on Proxies

The proxies shown in Table 2 were applied to the totals for CRS-3 and CRS-5 codes reported by country and instrument in the BMZ system tables, in order to calculate the totals for categories 2 and 4 (see table 3, previous section). It was not possible to develop a reliable proxy for CRS-3 sectors 240 and 321, so the mean was used, as this should give the smallest distortions. Purpose code 25010 is allocated 100% to category 2 by definition. As described in section 2, the TRA share calculated using the proxies for the relevant sectors (240, 311,

312, 313, 321, 322, 332) is allocated to category 2, and the residual is allocated to category 4.

The CRS-5 purpose codes 210xx, 220xx, 230xx are allocated 100% to category 3; CRS-5 code 33150 (Trade-related adjustment) is allocated 100% to category 5. Categories 1 – 5 represent total AfT.

The central results of the calculations are presented below.

Table 4: Regional breakdown of AfT* per category, EUR mill. and %

Year	Region	Cat.1	Cat.2	TRA	Cat.3	Cat.4	Cat.5	Total AfT	Cat.1	Cat.2	Cat.3	Cat.4	Cat.5	Cat.1-5
2005	Europe	1.03	13.30	14.32	13.05	35.50	0.00	62.87	1.6%	21.1%	20.7%	56.5%	0.0%	100%
2005	Africa	4.35	38.96	43.31	87.89	78.23	0.00	209.43	2.1%	18.6%	42.0%	37.4%	0.0%	100%
2005	America	0.06	18.27	18.33	8.81	54.11	0.00	81.24	0.1%	22.5%	10.8%	66.6%	0.0%	100%
2005	Asia	2.23	48.02	50.25	180.76	133.65	0.00	364.67	0.6%	13.2%	49.6%	36.7%	0.0%	100%
2005	Oceania	0.00	0.09	0.09	1.65	0.47	0.00	2.21	0.0%	4.3%	74.5%	21.2%	0.0%	100%
2005	DC n.a.	4.94	31.34	36.28	4.95	17.76	0.00	58.99	8.4%	53.1%	8.4%	30.1%	0.0%	100%
2005	Total	12.61	149.98	162.60	297.10	319.72	0.00	779.43	1.6%	19.2%	38.1%	41.0%	0.0%	100%
2006	Europe	1.00	45.44	46.44	10.55	113.03	0.00	170.02	0.6%	26.7%	6.2%	66.5%	0.0%	100%
2006	Africa	5.13	49.99	55.12	133.46	111.60	0.00	300.18	1.7%	16.7%	44.5%	37.2%	0.0%	100%
2006	America	0.02	31.27	31.29	20.04	73.36	0.00	124.69	0.0%	25.1%	16.1%	58.8%	0.0%	100%
2006	Asia	1.22	71.51	72.72	167.69	240.47	0.00	480.89	0.3%	14.9%	34.9%	50.0%	0.0%	100%
2006	Oceania	0.00	0.03	0.03	0.03	0.09	0.00	0.15	0.0%	18.2%	21.8%	60.1%	0.0%	100%
2006	DC n.a.	7.71	29.85	37.56	8.46	20.64	0.00	66.66	11.6%	44.8%	12.7%	31.0%	0.0%	100%
2006	Total	15.08	228.08	243.16	340.23	559.20	0.00	1142.59	1.3%	20.0%	29.8%	48.9%	0.0%	100%
2007	Europe	0.77	19.33	20.09	30.16	36.86	0.00	87.11	0.9%	22.2%	34.6%	42.3%	0.0%	100%
2007	Africa	4.80	52.94	57.74	185.43	147.50	0.00	390.67	1.2%	13.6%	47.5%	37.8%	0.0%	100%
2007	America	0.06	19.87	19.93	19.80	72.64	0.00	112.37	0.1%	17.7%	17.6%	64.6%	0.0%	100%
2007	Asia	1.82	76.80	78.63	221.51	231.28	0.00	531.41	0.3%	14.5%	41.7%	43.5%	0.0%	100%
2007	Oceania	0.00	0.03	0.03	0.00	0.09	0.00	0.12	0.0%	26.9%	2.8%	70.4%	0.0%	100%
2007	DC n.a.	9.03	38.27	47.29	7.87	43.48	0.00	98.64	9.1%	38.8%	8.0%	44.1%	0.0%	100%
2007	Total	16.47	207.25	223.71	464.76	531.86	0.00	1220.33	1.3%	17.0%	38.1%	43.6%	0.0%	100%

* disbursements

Table 4 shows the regional breakdown of German AfT in EUR million and as percentages for the years 2005 – 2007. While category 1 increased steadily over this period (from EUR 12.61 million to EUR 16.47 million), there was a drastic increase in category 2 between 2005 and 2006 (from EUR 150 million to EUR 228 million), followed by a slight decrease to EUR 207 million. Owing to the large total in category 2, this is strongly reflected in the totals for TRA. The explanation for this is the lack of data for DEG activities in 2005. DEG activities are extensive and are concentrated on categories 2, 3 and 4 (see Figure 1). For example, DEG’s total

AfT in category 2 was over EUR 70 million in 2006 (almost the entire amount of the increase compared with 2005). Changes in these categories between 2005 and 2006 accordingly cannot be interpreted, at least at the level of total German aid.

The increase in category 1 was primarily in supra-regional projects which cannot be broken down by individual developing countries (from EUR 5 million to EUR 9 million). The increase in category 2 between 2005 and 2006, particularly in Europe and America, can also probably be attributed to DEG commitment there. For the period

Figure 1: AfT shares of DEG by category

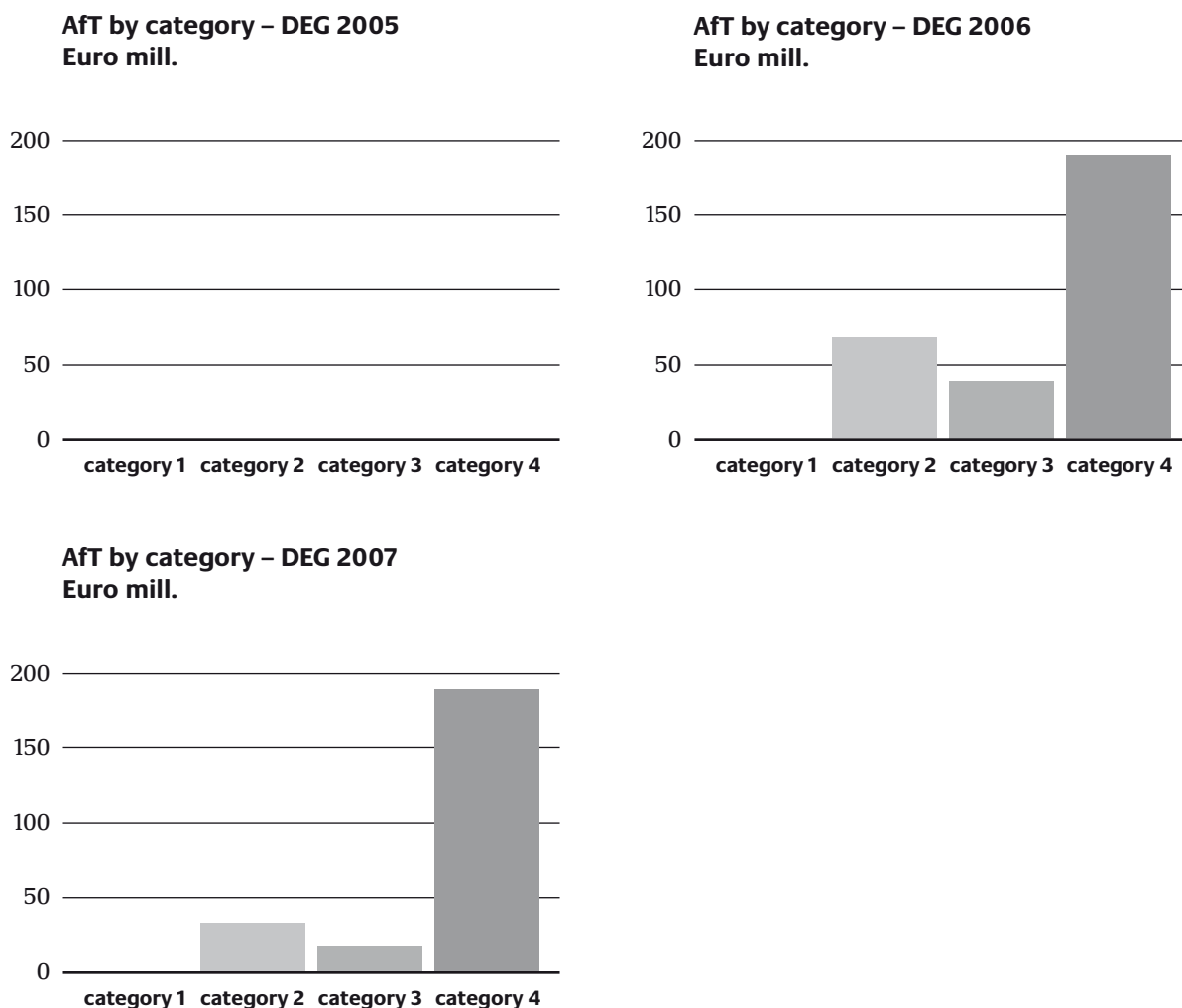


Table 5: Regional percentage breakdown of AfT by category

Year	Region	Cat.1	Cat.2	TRA	Cat.3	Cat.4	Cat.5	Total AfT
2005	Europe	8.1%	8.9%	8.8%	4.4%	11.1%	0.0%	8.1%
2005	Africa	34.5%	26.0%	26.6%	29.6%	24.5%	0.0%	26.9%
2005	America	0.5%	12.2%	11.3%	3.0%	16.9%	0.0%	10.4%
2005	Asia	17.7%	32.0%	30.9%	60.8%	41.8%	0.0%	46.8%
2005	Oceania	0.0%	0.1%	0.1%	0.6%	0.1%	0.0%	0.3%
2005	DC n.a.	39.2%	20.9%	22.3%	1.7%	5.6%	0.0%	7.6%
2005	Total	100%	100%	100%	100%	100%	0%	100%
2006	Europe	6.6%	19.9%	19.1%	3.1%	20.2%	0.0%	14.9%
2006	Africa	34.0%	21.9%	22.7%	39.2%	20.0%	0.0%	26.3%
2006	America	0.1%	13.7%	12.9%	5.9%	13.1%	0.0%	10.9%
2006	Asia	8.1%	31.4%	29.9%	49.3%	43.0%	0.0%	42.1%
2006	Oceania	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2006	DC n.a.	51.1%	13.1%	15.4%	2.5%	3.7%	0.0%	5.8%
2006	Total	100%	100%	100%	100%	100%	0%	100%
2007	Europe	4.6%	9.3%	9.0%	6.5%	6.9%	0.0%	7.1%
2007	Africa	29.1%	25.5%	25.8%	39.9%	27.7%	0.0%	32.0%
2007	America	0.4%	9.6%	8.9%	4.3%	13.7%	0.0%	9.2%
2007	Asia	11.1%	37.1%	35.1%	47.7%	43.5%	0.0%	43.5%
2007	Oceania	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2007	DC n.a.	54.8%	18.5%	21.1%	1.7%	8.2%	0.0%	8.1%
2007	Total	100%	100%	100%	100%	100%	0%	100%

2006 – 2007, there is roughly a similar decline in total TRA for these regions. In Asia and Africa, the TRA totals for category 2 increased slightly between 2005 – 2006 by approx. EUR 13 million and EUR 10 million respectively, and again between 2006 – 2007 by approx. EUR 5 million and EUR 3 million. The situation in the case of category 4 is similar to category 2 when interpreting destination regions. There is a sharp decline for Europe after 2006.

Summarising, between 2006 – 2007 TRA declined by approx. EUR 20 million (approx. 8%), primarily in Europe and America. By contrast, Africa, Asia and other countries saw total TRA increase.

Overall, AfT is highly concentrated in categories 3 and 4, so that TRA accounts for only around 20% in all three years. Significantly higher values are limited to non allocable developing countries, where the TRA share is around 50%. The share of TRA compared to total AfT in Asia is strikingly low for all three years, from 13.8% to a maximum of 15.2%.

Table 5 shows the percentage breakdown of the individual AfT categories by region for 2005 – 2007. A striking feature here is that the biggest share of category 1 always goes to developing countries non-allocable. The only other major shares are in Africa and (to a lesser extent) Asia. Asia and Africa dominate category 2 with a com-

bined share exceeding 50% in every year. Because of the higher share of category 2, TRA is accordingly concentrated in Africa and Asia, which together account for 50 – 60% every year.

As noted above, Asia and Africa have by far the largest shares of category 3 and category 4, with a combined share of approx. 90% in category 3 and over 60% in category 4 in all three years. Overall, the shares of the regions in total TRA are relatively stable, although Asia is increasing its share

– apart from a relative decline in 2006 which is explained by Europe’s very high share in this year.

Of the implementing agencies, KfW, DEG and GTZ together had by far the biggest total in AfT with approx. EUR 1 billion a year in 2006 and 2007 (see Figure 2). While GTZ has the smallest share of these three IAs, its share in TRA specifically was comparatively high in 2007, rising from 29% to 39% of total TRA between 2006 – 2007 (see Figures 4 and 5).

Figure 2: AfT shares by implementing agency, instrument

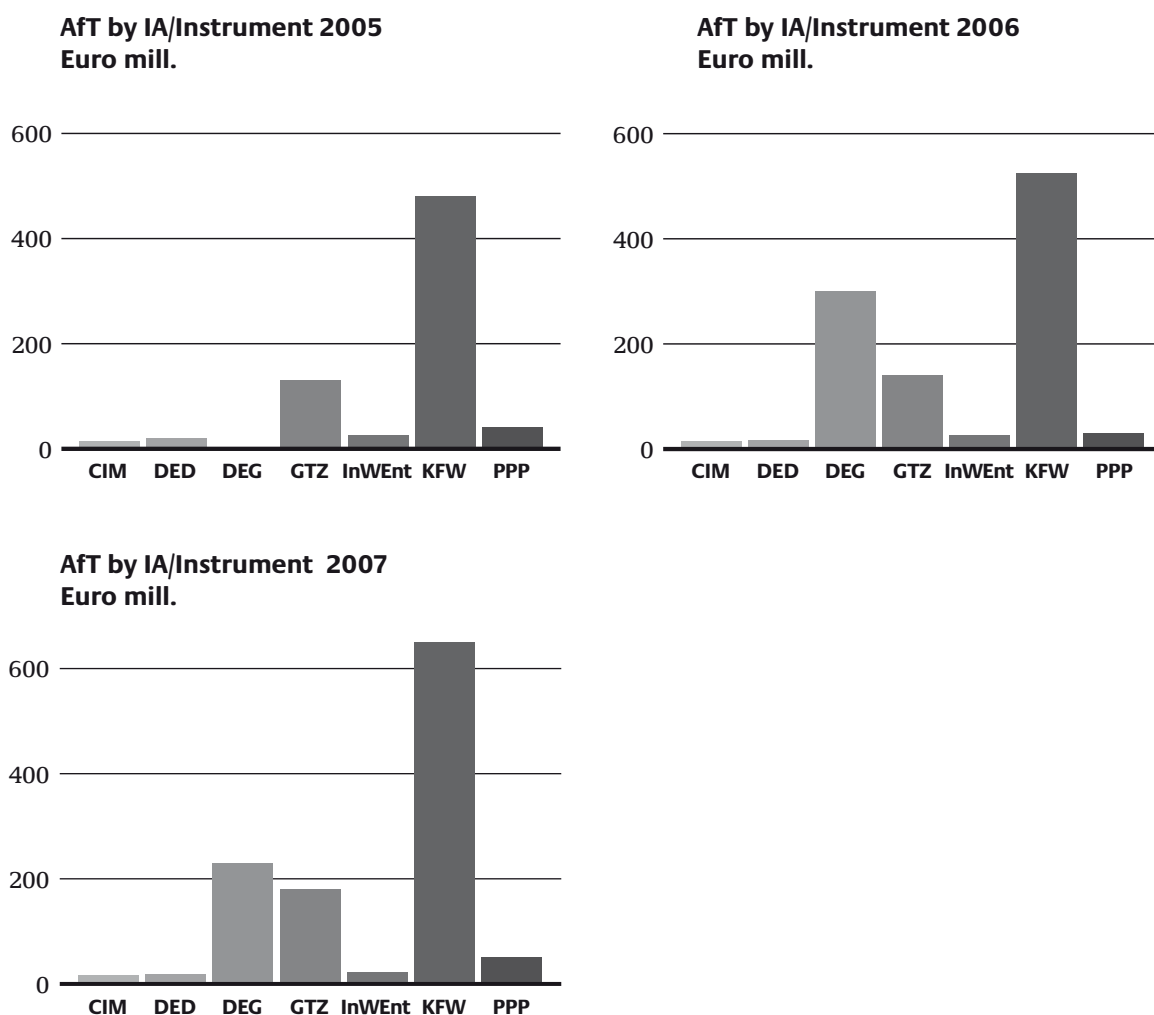
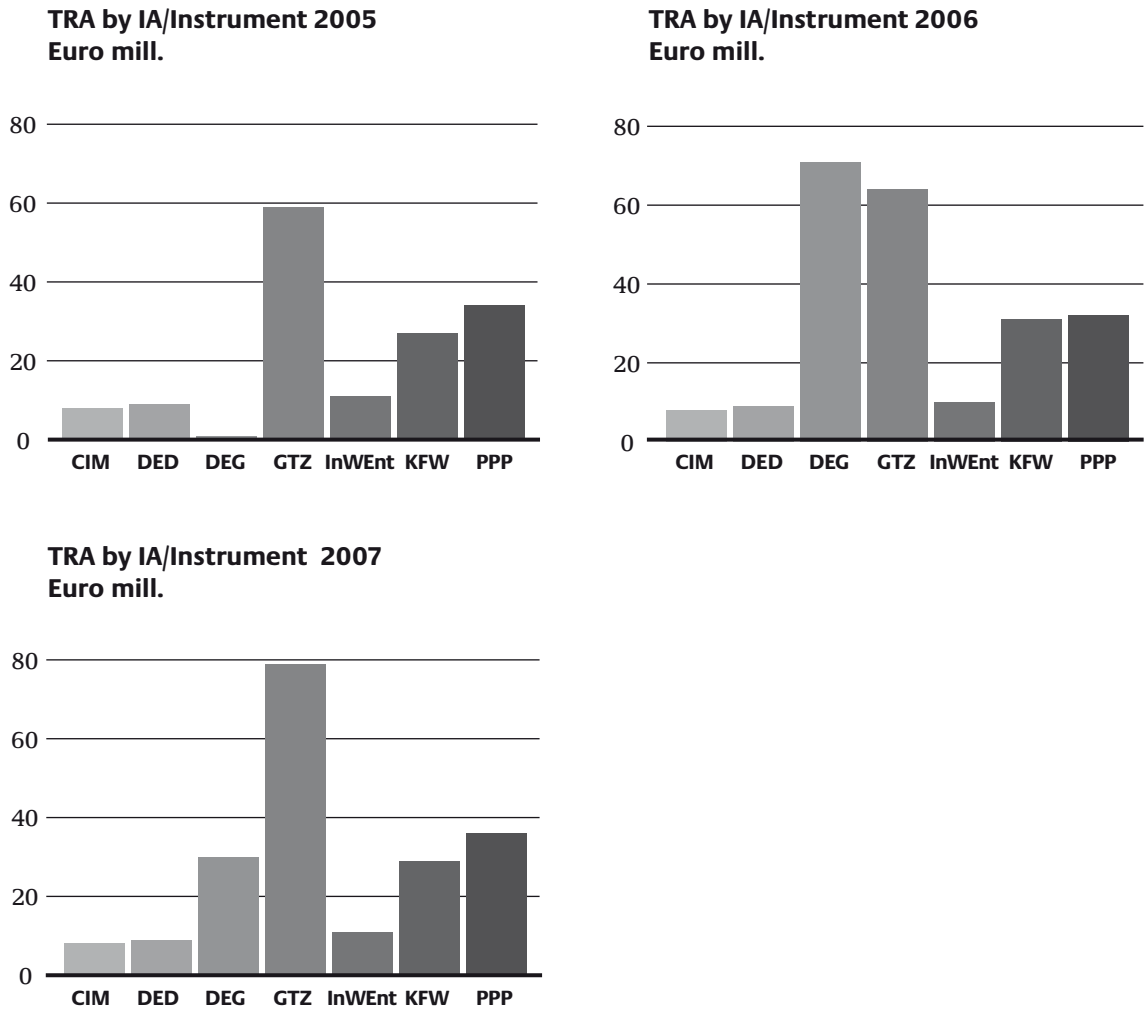


Figure 3: TRA shares by implementing agency, instrument

As Figure 6 shows, up to just below 50% of GTZ AfT falls in categories 1 and 2, making it relevant to TRA. Another striking feature is the very high share of the PPP projects (shown separately here) which are partly also implemented by GTZ (with a total value of approx. EUR 30 million), whose share is further increased as a result.

As was to be expected, with the exception of PPP (high TRA share of low AfT total), the agencies (except KfW) with an overall high total AfT share also have a relatively large share of TRA, with the share of DEG falling by more than half from 2006 – 2007 (32% to 15%). Figure 3 shows the breakdown of TRA by IA in the three years. Total TRA was approx. EUR 220 million in 2006 and around EUR 200 million in 2007.

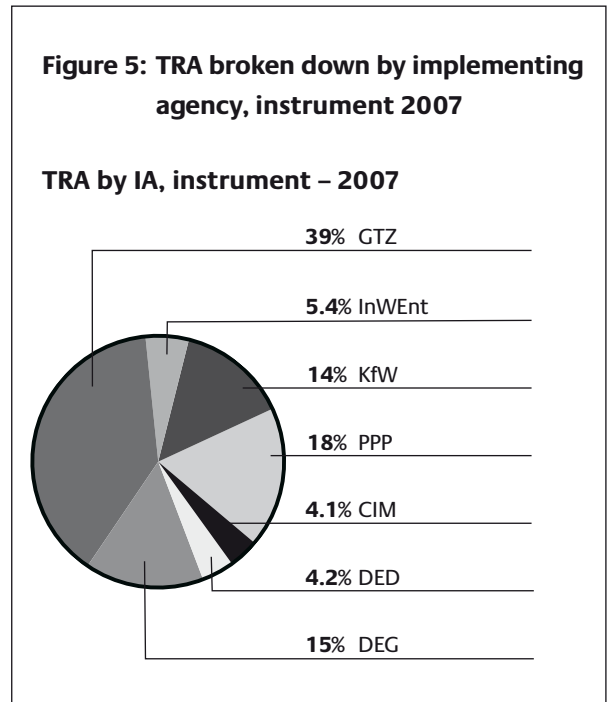
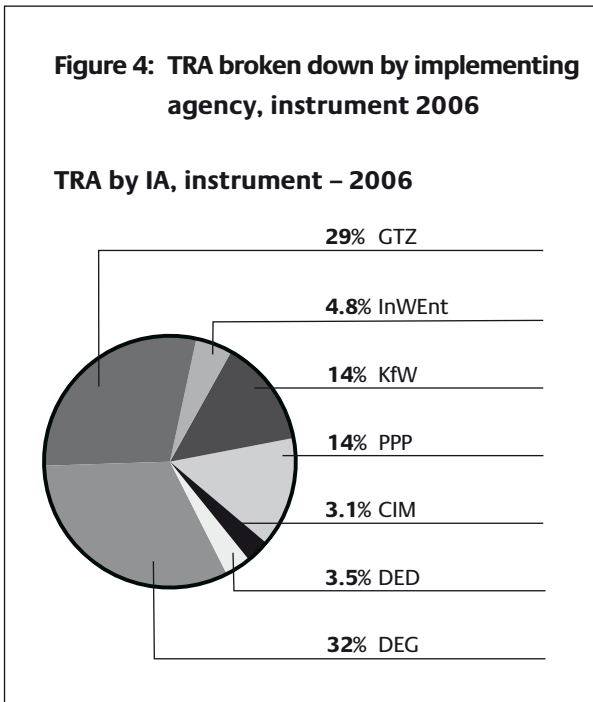
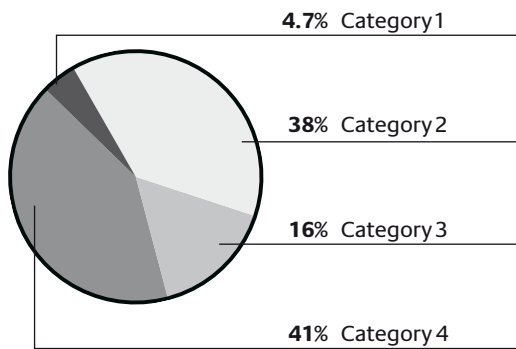
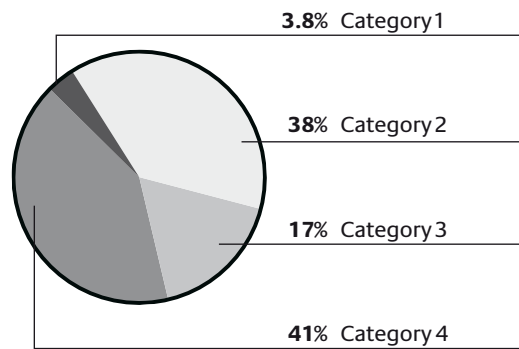


Figure 6: AfT shares of GTZ (implementing agency) by category

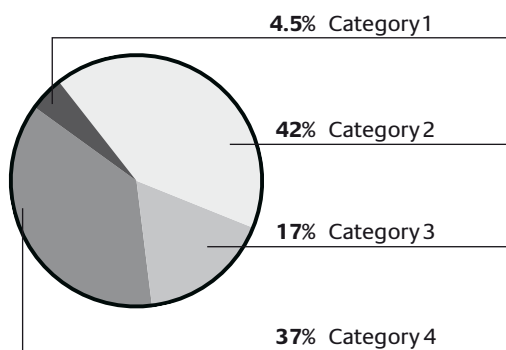
AfT by category – GTZ – 2005



AfT by category – GTZ – 2006



AfT by category – GTZ – 2007



6 Transition from the TCBDB Method to Proxy-Based Reporting by OECD Purpose Codes

Previously, total German TRA was determined on the basis of the TCBDB tables. For this purpose, each implementing agency reported the TRA share of each individual project in the relevant purpose codes. This individual reporting had two fundamental disadvantages:

- large amount of effort required by individual project reporting; and
- inaccuracy of TRA total.

The large effort required by individual project reporting and the resulting incompleteness (approx. 12,000 records) are directly connected to the resulting inaccuracy of total German TRA. Specifically, the implementing agency with a large number of projects in the proxy-relevant codes, of which usually only a small number are relevant to TRA, were faced with extensive coding effort. It was necessary to determine the TRA relevance of each individual project manually, on a case by case basis. Shares relating to TRA were therefore often only roughly estimated. Consequently, the TRA share of each individual project was subject to estimation error. In addition, as section 3 explained, different IAs applied different criteria in evaluating the TRA share. It can accordingly be assumed that two different IAs would have allocated different trade-related shares for one and the same project. Thus it is not unlikely that the combined measurement error in TCBDB tables, which resulted from inaccurate reporting on individual projects and IAs, was considerable.

The goals of proxy-based reporting by OECD purpose code are:

- to minimise systematic distortion of the estimated TRA total, and
- to completely eliminate the effort involved in reporting by individual project.

These goals were achieved, as explained in section 4.2, by developing statistically undistorted and robust estimators for five of the seven sectors. Mean-based proxies were adopted for the other two CRS-3 sectors, 240 and 321. Development of the proxies was also done on the basis of representative samples of individual projects from the relevant purpose codes. For statistical purposes it can therefore be assumed that the method allows for a best possible approximation of the actual German TRA total. Systematic distortions due to differing views of TRA relevance within and between IAs, as well as inaccuracies resulting from the elaborate process of individual project reporting, are minimised. Reporting of TRA shares by individual project will be unnecessary in the future if the sectoral proxies were used.

The following section explores some differences between the TRA total reported to the TCBDB and the TRA total calculated on the basis of the proxies, taking 2006 as an example.⁹ In all, according to TCBDB, approximately EUR 62 million was spent on TRA in 2006. The total calculated on the basis of the proxies was approx. EUR 243 million. The difference of EUR 181 million can be explained by breaking down the total into the

⁹ The basis is the table "Germany_TCBDB_Data_2006.xls", which contains the TRA totals (categories 1, 2) reported by German implementing agencies to the TCBDB.

shares of the individual IAs. This shows a clear pattern. With the exception of the KfW, all IAs reported a far lower volume of TRA to the TCBDB than would be correct taking into account the proxies. It is assumed that the high effort involved in individual entry led to a failure to identify all TRA-relevant projects and attributing a positive TRA share to them.

The differences are explained in detail below:

- **KfW** reported approx. EUR 37 million to the TCBDB. This is slightly higher than the figure of EUR 31 million calculated on the basis of the proxies. However, this difference is not surprising, as the KfW TRA totals come particularly from projects in sector 240. As explained in section 4.2, it was not possible to identify an absolutely reliable proxy for CRS-3 sector 240, so that a simple average proxy had to be used, which would result in distortions.¹⁰
- **DEG** reported a total of less than EUR 0.5 million in the TCBDB table, which can be explained by institutional features of the DEG until 2006 that prevented identification of TRA totals at either project or CRS level. The shares supplied by the DEG at CRS level and the figures in the table instruments¹¹ yield a TRA total of EUR 71 million in 2006. This means that the DEG accounts for over one-third of the difference between the proxy-based calculation and the TCBDB table.
- Another EUR 55 million (of the remaining EUR 110 million) can be explained by original underreporting by **GTZ**.
- **DED** did not report any TRA to the TCBDB in 2006. However, based on the proxies, TRA was just under EUR 8 million.
- There is a similar situation with **InWent**, where merely EUR 500,000 (from a single project in purpose code 32161) were reported to the TCBDB, compared with a proxy-based total of EUR 10 million. The assumption here again is that InWent did not report all projects relevant for TRA, so that the total reported to the TCBDB is an underestimate.
- Similarly, **CIM** reported a total of EUR 3.5 million, which is just half the total yielded by the proxies (EUR 7 million).

Since a substantial share of projects was reported as not TRA-relevant in the TCBDB tables (some DEG, DED, InWent and GTZ projects are missing), it is not possible to compare TCBDB and proxy-based totals at CRS level.

¹⁰ It should also be noted that of the approx. EUR 37 million in reported funds, only approx. EUR 20 million was recognised by the OECD as ODA.

¹¹ Not attached in the shortened version

7 Results and Conclusions

Based on the data supplied by BMZ for AfT relevant projects and the proxies developed, a dataset was created which contains all AfT measures broken down by implementing agency, CRS code, total volume, AfT share and year. This dataset was used to generate comprehensive statistics which give a better idea of which CRS sectors are accounting for the biggest share of AfT of BMZ, which implementing agencies are contributing what, the regional breakdown of the resources in the five AfT categories, and changes in German AfT totals (narrow and broad definition) over the three-year period under review. Among other factors, there are significant differences between FC and TA in allocating projects to the individual CRS sectors. While the AfT-relevant projects in FC cover only very few CRS sectors, TA covers almost all relevant CRS sectors. It also came out that by far the largest part of German AfT comes from CRS sectors 240, 250, 311 and 321.

Using the dataset (after some inconsistencies had been cleared), an analysis of variance was carried out to determine whether reliable proxies could be developed for individual CRS sectors. While the special features of TA and FC were borne in mind in all the investigations, separate proxies for TA and FC would only have been useful in CRS sector 311. Statistically robust proxies were developed for most CRS sectors (at either CRS-3 or CRS-5 level). It was not possible to develop any useful proxy for individual sectors such as CRS 240

and 321 or the PPP facility, as the coding of the AfT share varied too greatly there to allow reliable statements and statistically significant results. For these CRS sectors, the AfT average share was taken in calculating the total, in order to determine the corresponding AfT totals. However, evaluation at the individual project level will be required in future.

The results of applying the proxies and estimates to the full list of German TA and FC projects for the period under consideration demonstrate that the German AfT contribution is significantly higher than the contribution previously recorded in the TCBDB. In addition, our calculated total is not far short of the annual contribution of EUR 220 million for TRA which is the target for Germany within the EU AfT strategy. The failure to include projects of individual implementing agencies which are relevant to AfT in the earlier TCBDB reporting was the main reason for the higher German AfT contribution shown by our calculations. It should also be stressed that the official reports to date only take partial account of DEG measures, and the reporting was not sufficiently disaggregated in sectoral and regional terms for the purpose of detailed analysis. Even so, in 2006 alone the DEG supplied a substantial amount of ODA attributable to TRA (EUR 71 million), and is accordingly the main source of the higher German AfT total which we calculated, compared with the TCBDB reporting in previous years.

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B Appendix

Table 6: F statistics and p values for analysis of variance on trade-related shares – homogeneity of means between implementing agencies and CRS-5

CRS 3	Group	IA				CRS 5			
		F-Statistic		p-Value		F-Statistic		p-Value	
		TA	FC	TA	FC	TA	FC	TA	FC
240	Remainder	–	–	–	–	–	–	–	–
	31110/31120	1.65			18.1%	2.26			14.0%
311	Remainder	0.22	942.20	88.0%	0.0%	1.65	0.2	18.1%	66.6%
	31161/31162	–			–	–			–
312	Complete	1.24			30.3%	0.29			88.2%
313	Complete	2.12			17.6%	1.75			22.8%
321		–	–	–	–	–	–	–	–
322	Complete	–			–	–			–
332	Complete	–			–	–			–

Table 7: Aid for Trade categories, CRS codes and marker definition¹

CRS Code	Description	Content
Category 1.		TRADE POLICY AND REGULATIONS
331	Trade Policy and Regulations	Measures in area 331 contribute with 100 per cent
33110 MODIFIED	Trade Policy and administrative management	Trade policy and planning; support to ministries and departments responsible for trade policy; trade-related legislation and regulatory reforms; policy analysis and implementation of multilateral trade agreements e.g. technical barriers to trade and sanitary and phytosanitary measures (TBT/SPS) except at regional level (see 33130) ; mainstreaming trade in national development strategies (e.g. poverty reduction strategy papers); wholesale/retail trade; unspecified trade and trade promotion activities.
33120	Trade facilitation	Simplification and harmonisation of international import and export procedures (e.g. customs valuation, licensing procedures, transport formalities, payments, insurance); support to customs departments; tariff reforms.
33130 MODIFIED	Regional trade agreements (RTAs)	Support to regional trade arrangements [e.g. Southern African Development Community (SADC), Association of Southeast Asian Nations (ASEAN), Free Trade Area of the Americas (FTAA), African Caribbean Pacific/European Union (ACP/EU)], including work on technical barriers to trade and sanitary and phytosanitary measures (TBT/SPS) at regional level ; elaboration of rules of origin and introduction of special and differential treatment in RTAs.
33140	Multilateral trade negotiations	Support developing countries' effective participation in multilateral trade negotiations, including training of negotiators, assessing impacts of negotiations; accession to the World Trade Organisation (WTO) and other multilateral trade-related organisations.
33181	Trade education/training	Human resources development in trade not included under any of the above codes. Includes university programmes in trade.
Category 2.		TRADE DEVELOPMENT
240xx, 25010, 311xx, 313xx, 321xx, 322xx, 33210	Building productive capacity	The respective CRS codes appear both in category 2 and in category 4 and cover all aspects of Building Productive Capacity (BPC). Category 2 is a subset of category 4, reflecting trade development orientation of the measure as defined in the narrow AfT definition while category 4 encompasses the wider AfT definition. In order to filter out category 2 eligible contributions to TRA, a trade development marker was defined by OECD. It is restricted to activities specified below. According to OECD WP STAT an activity should be classified as trade development-oriented (score Principal or Significant) if it intends to enhance the ability of the recipient country to: a) formulate and implement a trade development strategy and create an enabling environment for increasing the volume and value-added of exports, diversifying export products and markets and increasing foreign investment to generate jobs and trade; or b) stimulate trade by domestic firms and encourage investment in trade-oriented industries. Criteria for eligibility are: a) The objective is explicitly promoted in activity documentation; and b) The activity contains specific measures to promote one or several of the trade development aspects at the institutional and enterprise level (business support services and institutions; access to trade finance; trade promotion and market development in the production and service sectors).

NARROW DEFINITION OF AFT; i.e. TRADE RELATED ASSISTANCE (Category 1.-2.)

¹ Source: BMZ Division 315, Thomas Feidieker

NARROW DEFINITION OF AFT; i.e. TRADE RELATED ASSISTANCE (Category 1.-2.)	240xx	Banking and finance	Access to trade finance; reform of financial systems, banking and securities markets to facilitate trade; laws and regulations that protect and promote trade-related investment.
	25010	Business support services and institutions	Score principal by definition, i.e. contribution with 100 per cent. 1. Support to trade and business associations, chambers of commerce; legal and regulatory reform aimed at improving business and investment climate; private sector institution capacity building and advice; trade information (sector unspecified). 2. Tools and mechanisms for improved dialogue and resource sharing between public and private sector (and within the private sector) at the national, regional and global levels, including trade fairs (sector unspecified). 3. Promotion of information communication technologies for enhancing trade; training and provision of software and hardware to improve e-commerce capability. 4. Provision of services to increase the international competitiveness of SMEs and to improve access to world markets
	31110 to 31195	Areas of particular interest are: - Agricultural policy and admin. management - Agricultural development - Agricultural land resources - Agrarian reform - Agricultural education/training - Agricultural research - Agricultural services - Agricultural financial services - Agricultural co-operatives	Measure which target (principally or significant) to promotion of trade strategy and implementation, or contribute to market analysis and trade development in agriculture, forestry, fishery, industry, mining and tourism (including "fair trade programmes"). For example: <ul style="list-style-type: none"> ● development of national sector-level trade strategy, ● workforce development in export industries, ● implementation of sector-specific strategies ● improving access to market information; ● advice on standards, packaging, quality control, marketing and distribution channels ● support to regional and international fruit and vegetable marketing ● increase the international competitiveness of SMEs, through increase of their productivity ● support to product and market diversification and improvement of value added chain
	31210 to 31291	Areas of particular interest are: - Forestry policy and administrative management - Forestry development - Forestry education/training - Forestry research - Forestry services	
	31310 to 31391	Areas of particular interest are: - Fishery policy and administrative management - Fishery development - Fishery education/training - Fishery research - Fishery services	
	32110 to 32182	Areas of particular interest are: - Industrial policy and administrative management - Industrial development - Small a. medium enterprises (SME) development - Technological research and development	
	32210 to 32268	Areas of particular interest are: - Mineral/mining policy and admin. management - Mineral prospection and exploration	
	33210	Tourism policy and administrative management	

Wider Aid for Trade Definition (includes Category 1. to 6.)	Category 3.		ECONOMIC INFRASTRUCTURE
	210 to 230	Infrastructure	Measures in area 210-230 contribute with 100 per cent
	21010 to 21081	Transport and Storage	Covers transport policy and administrative management; road-, rail-, water-, air-transport, storage (whether or not related to transportation), and education and training in transport and storage.
	22010 to 22040	Communications	Includes communications policy and administrative management, all communications (post and telecommunications, radio, television, print media) and Information and communication technology (ICT).
	23010 to 23082	Energy Generation and Supply	Covers energy policy and administrative management, production and distribution of energy [power generation/non-renewable and renewable sources, electrical transmission/distribution, gas distribution, oil-, gas- and coal-fired power plants, nuclear power plants (assistance towards the peaceful use of nuclear energy is reportable as ODA), hydro-electric power plants, geothermal energy, solar energy, wind and ocean power, biomass] as well as energy education/training, energy research.
	Category 4.		BUILDING PRODUCTIVE CAPACITY
	240, 311-313, 321, 322, 332	Building productive capacity	Measures mentioned below contribute with 100 percent except in cases where a measure has already been counted fully or as a fraction of cat. 2. Data model construction: If so only the residual will be calculated to avoid double counting.
	24010 to 24081	Banking and Financial Services	Covers assistance to financial policy and administrative management, monetary institutions, formal sector financial intermediaries, informal/semi-formal financial intermediaries, Education/training in banking and financial services
	25010	Business and other Services	Support to trade and business associations, chambers of commerce; legal and regulatory reform aimed at improving business and investment climate; private sector institution capacity building and advice; trade information; public-private sector networking including trade fairs; e commerce. Where sector cannot be specified: general support to private sector enterprises (in particular, use code 32130 for enterprises in the industrial sector);
	31110 to 31195	Agriculture	Covers agricultural policy and administrative management, agricultural development, agricultural land and water resources, agricultural inputs, food crop production, industrial crops/export crops, livestock, agrarian reform, agricultural alternative development, agricultural extension, agricultural education/training, agricultural research, agricultural services, plant and post-harvest protection and pest control, agricultural financial services, agricultural co-operatives, livestock/veterinary services;
	31210 to 31291	Forestry	Includes forestry policy and administrative management, forestry development, fuelwood and charcoal projects, forestry education/training, forestry research and services;
	31310 to 31391	Fishery	Includes fishery policy and administrative management, fishery development, fishery education/training, fishery research and services
	32110 to 32182	Industry	Covers industrial policy and administrative management, industrial development, small and medium-sized enterprises (SME) development, cottage industries and handicraft, all types of manufacturing (agro, forest, textiles, leather and substitutes, chemicals, fertilizer plants, cement, lime, plaster, energy manufacturing, pharmaceutical production, metal and non-ferrous metal industries, engineering, transport equipment industry) as well as technological research and development

Wider Aid for Trade Definition (includes Category 1. to 6.)	32210 to 32268	Mineral Resources and Mining	Includes Mineral and mining policy and administrative management, prospection and exploration of minerals and fuels (coal, oil and gas, ferrous metals, nonferrous metals, precious metals/materials, industrial minerals, fertilizer minerals, offshore minerals)
	33210	Tourism	Tourism policy and administrative management.
	Category. 5		TRADE RELATED ADJUSTMENT
	33150 NEW	Trade-related adjustment	Contributions to the government budget to assist the implementation of recipients' own trade reforms and adjustments to trade policy measures by other countries; assistance to manage shortfalls in the balance of payments due to changes in the world trading environment.
	51010 MODIFIED (Code no longer applicable after 2008)	General Budget Support	Unearmarked contributions to the government budget; support for the implementation of macroeconomic reforms (structural adjustment programmes, poverty reduction strategies); [deleted: transfers for the stabilisation of the balance-of-payments (e.g. STABEX, exchange rate guarantee schemes);] general programme assistance (when not allocable by sector).
	Category. 6		OTHER TRADE RELATED NEEDS
	Not applicable	This will be taken into consideration by annual aggregate donor reporting to the OECD-WTO questionnaire under the three tier monitoring system.	

Published by the

Federal Ministry for Economic
Cooperation and Development

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As at	October 2008; * shortened version

