

# GETTING RESULTS IN AID FOR TRADE: THE USE OF INDICATORS

BACKGROUND PAPER

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## EXECUTIVE SUMMARY

The growing focus on performance management in development cooperation since the 1990s and numerous international initiatives, including the Millennium Development Goals, underpinned the global push for results, leading to the establishment of the managing for development results (MfDR) framework. The 2005 Paris Declaration on Aid Effectiveness put the results agenda firmly in the centre of global efforts to improve aid effectiveness. MfDR is a management strategy that is centred on strong notions of goal-orientedness, causality, and continuous improvement. Evaluation is an integral part of the MfDR process and provides important sources of performance information that can contribute to management learning and improved decision-making processes.

Against this backdrop, increasingly bilateral and multilateral donors are putting in place essential building blocks for results-based management to ensure that their activities achieve the desired objectives and targets. They manage *for* results through articulating a chain of results from project inputs, to activities, outputs, outcomes and long-term impacts. The results chain provides a framework within which to monitor and measure expected changes that will result from donor programmes. Key changes described in the results chain are translated into targets and associated indicators for tracking results. Therefore, the selection of indicators is critical for results-based management systems.

The need to show results in aid for trade is growing, particularly in the light of the significant additional resources that have been directed toward trade-related activities in recent years. The self-assessment results of the 2009 monitoring survey of the initiative indicate that more donors and partner countries are regularly monitoring the potential impact of aid for trade, and adopting results-oriented approaches. That said, despite this progress, the development of a genuine performance culture that is based on results remains a challenge.

A major challenge common to all is designing effective results chains that connect individual project objectives with more strategic, long-term development outcomes. When it comes to measuring results at the outcome level, donors and partners alike are often confronted with the problem of attribution, *i.e.* what part of the observed changes have resulted from aid-for-trade activities at the project level? However, despite this unresolved question of attribution, this paper argues that measuring results at the outcome level is essential in order to monitor and show progress towards the goals of the Aid for Trade Initiative.

As targets and results are specific to individual projects and programmes, their associated indicators also vary. Still, there are or should be commonalities between sector or macro level outcomes that can be quantified and aggregated into summary indices for benchmarking and cross-country comparison. Myriad indicators related to aid for trade have been generated in recent years. This paper illustrates some of those existing indicators, including by the Donor Committee for Enterprise Development, and presents the rationale for and the benefit of a harmonised approach towards aid-for-trade results measurement. More specifically, it makes the case for establishing a small number of “universal” aid-for-trade indicators to enable practitioners to systematically aggregate results data across programmes and projects at the country, regional and global levels. Such enhanced transparency, in turn, will contribute to a broader effort of making aid for trade more effective.

## GETTING RESULTS IN AID FOR TRADE: THE USE OF INDICATORS

Increasingly bilateral and multilateral donors are putting in place essential building blocks to ensure that their activities achieve the intended objectives and targets. They manage *for* results through articulating a chain of results from project inputs, to activities, outputs, outcomes and long-term impacts. The results chain provides a framework within which to monitor and measure expected changes that will result from donor programmes. Key changes described in the results chain are translated into targets and associated indicators for tracking results. This paper discusses how the growing focus on performance management in development co-operation led to managing for development results (MfDR) and examines its relevance for aid for trade. In particular, it explores the roles and types of indicators for measuring aid-for-trade results and presents the rationale for and the benefit of establishing and integrating a small set of common indicators in all programmes so as to allow the measurement of aid-for-trade outcomes at the country level.

### 1. Introduction

Aid for trade aims to “enable developing countries, particularly LDCs, to use trade more effectively to promote growth, development and poverty reduction and to achieve their development objectives, including the Millennium Development Goals (MDGs)”<sup>1</sup>. To achieve these objectives, aid for trade – as is the case in any development cooperation programme that cuts across various sectors – involves complex relationships among partner country governments, bilateral donors, multilateral and regional agencies, the private sector and other non-governmental organisations. Each of these stakeholders has different priorities, operating arrangements, timeframes and financial and human resources. Therefore, increasing the effectiveness of aid for trade requires comprehensive and rigorous implementation of the aid effectiveness principles of the Paris Declaration. The same Declaration also stresses that partner countries and donors are mutually accountable for development results.

Recent changes in the global landscape of development assistance have led to a greater focus on transparency and accountability for the use of development resources. Improved accountability is widely seen as an effective way to establishing incentives to help strengthen local ownership and achieve results. This growing focus on development results has made “managing for results” central to the entire aid effectiveness agenda. Managing for development results (MfDR) provides a common performance management framework for achieving goals. It puts emphasis on the importance of reviewing progress towards results, learning from what does and what does not work, and altering the overall plan, if necessary. Through the Paris Declaration and the Accra Agenda for Action, development partners have committed to manage and implement aid in a way that focuses on development outcomes and impacts (rather than on process), and uses performance information to improve decision-making. While getting the process right is important, best practice in process does not guarantee tangible and meaningful results on the ground.

Against this backdrop, increasingly DAC donors and multilateral agencies are putting in place results-based management frameworks to ensure that their activities achieve the desired objectives and targets.

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1 . *Recommendations of the Task Force on Aid for Trade*, [WT/AFT/1], WTO, Geneva, 27 July 2006.

They are getting beyond process and input indicators to measuring outcomes and impacts. This implies articulating a chain of results from project inputs, to activities, outputs, outcomes and long-term impacts. The results chain provides a framework within which to monitor and measure expected changes that will result from project activities. Key changes described in the results chain are translated into targets, and indicators are identified for tracking results at each step in the programme logic. Therefore, indicators are a critical component of the results-based management systems.

As targets and results are specific to individual programmes and country contexts, partners and donors design programme-specific results frameworks to measure results. Consequently, the types of indicators used will vary between donors and between projects and programmes. However, at the sector level there are (or should be) commonalities between outcomes that can be quantified and aggregated into summary indices for benchmarking and cross-country comparison. By way of monitoring the direction of these key metrics over time, donors and partners can assess the impact of their combined efforts at the sector and country level.

In some aid-for-trade sectors, such as building productive capacities, donors are already pursuing this approach by introducing sets of “universal” indicators to determine the levels of achievements and allow for comparisons across countries. As more donors look to develop results frameworks for their respective aid-for-trade programme, donors and partner countries should work together to develop a manageable number of indicators in order to avoid “*an indicator cloud*” descending on partner countries and creating “*a fog of confusion*.”<sup>2</sup>

This paper explores ways to enhance performance management of aid for trade by adopting a system of managing for results. It highlights the importance of demonstrating results and impacts through MfDR. In particular, it suggests potential benefits of harmonising different results measurement systems in aid for trade. The aim is to arrive at a performance management system that would be considered feasible and sustainable. It would ideally be embedded in the results framework of all those programmes which fall under the umbrella of the Aid-for-Trade Initiative.

The remainder of this paper is structured as follows. The next section provides an overview of the role of MfDR and its opportunities and challenges. In particular, it spells out the concepts, principles and basic features of MfDR, including the role of evaluation. Section 3 examines the relevance and challenges of applying MfDR approaches to aid for trade and outlines the need for a harmonised approach to measuring aid-for-trade outcomes. Section 4 briefly discusses the issue of attribution and explains the roles and types of indicators for measuring results. Section 5 explores ways to integrate a results-based approach into the aid-for-trade monitoring by means of introducing a small set of “universal” indicators to compare and aggregate results across different aid-for-trade sectors. Finally, Section 6 concludes by summarising the case for establishing a manageable number of aid-for-trade indicators to measure results at the country level.

## **2. How to manage for results**

The need for results is recognised as a key aspect of, and pre-requisite for, improved aid effectiveness. Results are those changes that can be attributed to a development measure (GTZ, 2008). More effective aid means generating more results. Governments and agencies in both donor and partner countries have become increasingly cognisant of the growing importance of accountability and performance management in development cooperation since the 1990s. Accountability is particularly essential in the political arena. In response to growing calls for more efficient and effective use of development resources towards poverty

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2. “100 indicators of well-being or just one? Stiglitz v Layard” from Duncan Green’s *From Poverty to Power* blog site (<http://www.oxfamblogs.org/fp2p/?tag=oced>)

reduction and policy reform, combined with mounting requirements for accountability, public sector agencies and development institutions gradually introduced a range of tools to assess performance and manage for results.

The MDGs, adopted in 2000, encapsulated the global consensus that emerged during the preceding decade. The MDGs embodied the results-based approach to international development, containing a set of goals and measurable targets, with specific dates for achievement and performance indicators to gauge their progress. The MDGs “represented a new departure in international thinking about how to encourage the progress of developing countries, and indeed of societies at large, and was one to which all countries, both developed and developing, committed themselves” (Manning, 2009).

A series of international events and meetings that followed the adoption of the MDGs has also been pivotal in advocating the importance of results. Most notably, the 2005 High-Level Forum on Aid Effectiveness in Paris placed results management in development cooperation firmly at the centre of the global aid effectiveness debate. Partner countries, multilateral and bilateral donors all committed themselves to improve their management of resources and focus on the actual outcome and impact of their activities (*i.e.* development results), not the inputs used or physical outputs produced, guided by mutual accountability. Specifically, they adopted a set of actions in the Paris Declaration to strengthen how they manage for development results. More recently, the Accra Agenda for Action, adopted at the September 2008 Third High Level Forum on Aid Effectiveness, cites achieving increased accountability for development results as one of three key requirements for delivering on the aid effectiveness agenda. Accordingly, development partners are under increasing pressure to demonstrate results and be accountable to their constituencies, as well as to each other (mutual accountability).

## **2.1 What is managing for development results**

MfDR entails tracking progress and making decisions on the basis of solid evidence in the pursuit of enduring development results and impacts. Whereas conventional results-based management approaches mostly focus on accountability only, MfDR goes further, underpinning and cutting across the Paris Declaration’s key pillars of ownership, alignment, and harmonisation. MfDR as a concept centres on holding all development partners accountable for delivering development results (*i.e.* the outcome or impact of a development intervention) to the constituencies they seek to assist. It is built on the notions of goal-orientedness, causality, and continuous improvement, and is guided by the following five core principles which reflect a broad consensus about what constitutes sound performance management.<sup>3</sup>

- ***Principle 1: Focus the dialogue on results at all phases—from strategic planning through implementation to completion and beyond—of the development process.*** In managing for results, it is important to have a coherent approach: (a) *ex ante*, at the strategy and planning phase, when expected results are articulated and their likely costs and expected impact on poverty reduction and development are analysed; (b) during programme/project implementation, when monitoring is needed to assess progress and identify necessary midcourse corrections; (c) *ex post*, upon completion, when the results are assessed against objectives and other factors, and (d) also when sufficient time has passed to be able to assess sustainability.
- ***Principle 2: Align actual programming, monitoring, and evaluation activities with the agreed expected results.*** When partner countries, development agencies and other stakeholders focus on expected results and associated results indicators, they can better align actual programming (including financial support), monitoring, and evaluation activities with agreed results objectives. Partner country

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3. This section is based on *Annex I. Promoting a harmonised approach to management for development results: Core principles*, Second Roundtable on Management for Results, Marrakech, 2004.

priorities and constraints must remain the starting point for development agencies' support strategies, and the development agencies' planned operations, analytic support, and technical assistance must be consistent with the partner country's sound development strategy.

- **Principle 3: Keep the results reporting system as simple, cost-effective, and user-friendly as possible.** The indicator framework for managing for results should, to the extent possible, (a) be simple; (b) rely on country systems, supporting capacity building to the maximum extent; (c) be geared to learning as well as accountability functions; and (d) be harmonised to minimise system transactions costs and facilitate comparative analysis. The partner country and development agencies should consult on a short list of key indicators, preferably from a standardised list, for monitoring progress and assessing achievement of results. It is important to take into consideration the chain of expected results. Managing for results aims at improved efficiency; therefore, it is essential to be selective (and not to try to measure everything) and realistic (in terms of feasibility and cost) in choosing indicators. The results reporting system should remain pragmatic; start with whatever baseline data is available, including proxies; use meaningful qualitative indicators to complement quantitative indicators, or to compensate if quantitative indicators are not available; and include support for cost-efficient measures to improve data availability and country or project monitoring systems. The end goal should be a sound results-based management system that includes specific, quantifiable indicators connected to a timeline with baseline data and periodic assessments of project and programme performance against defined targets.
- **Principle 4: Manage for, not by, results by arranging resources to achieve outcomes.** Managing for results involves a change in mindset—from starting with the planned inputs and actions and then analysing their likely outcomes and impacts, to focusing on the desired outcomes and impacts (for example, on trade expansion) and then identifying what inputs and actions are needed to get there. It also involves establishing baselines and identifying upfront performance targets and indicators for assessing progress during implementation and on programme completion. Missing key targets should be a signal for partners to analyse together whether/why things have gone off track and how they could be brought back on track, if necessary. It should not be a trigger for the rigid application of penalty rules.
- **Principle 5: Use results information for management learning and decision-making, as well as for reporting and accountability.** Information on results should be publicly available. While one of the goals of managing for results is to use results monitoring information for reporting and accountability (for both partner countries and development agencies), this may potentially prompt behaviours that are overly risk-averse. Two approaches can mitigate this possibility: (a) using reports on results for management learning and decision-making, taking into account lessons for better future action; and (b) when using reports for accountability purposes, setting performance measures that reflect the level of responsibility of the actor (whether a country, development agency, ministry, institution, NGO, and other stakeholders) and results that the actor can reasonably achieve; this approach recognises that even with good performance in managing for results, external factors may hinder the achievement of expected outcomes.

MfDR is a management approach that involves practical tools for strategic planning, risk management, progress monitoring and outcome evaluation. Table 1 lists examples of tools used to measure progress toward outcomes, report on them, and use the lessons learned to continuously improve performance. In partner countries and donor agencies, MfDR delineates a shift from focusing on inputs and immediate outputs to performance and achievement of demonstrable results and long-term impacts. It requires partner countries and donors to explicitly state the basis for their assessments and how decisions were made. It also entails knowledge sharing, and for joint learning in particular, of transferable lessons.

**Table 1. Examples of tools used to manage for results**

MfDR Principle	Examples of tools used	Why these are important
Focus the dialogue on results at all phases of the development process	<ul style="list-style-type: none"> <li>• Sector development or policy reform frameworks</li> <li>• Project results frameworks</li> <li>• Multi-stakeholder planning workshops</li> <li>• Inter-agency coordination mechanisms</li> <li>• Logic models (integrated in all of the above)</li> </ul>	Results-based tools are used jointly by development agencies and partner countries align donor support for intermediary results with national development outcomes during the planning process. Results-based tools act as reference points for ongoing implementation and measurement.
Align programming, monitoring, and evaluation with results	<ul style="list-style-type: none"> <li>• Annual work plans and budgets</li> <li>• Financial management systems</li> </ul>	Results-based operational plans, budgets, and financial mechanisms at the sector or project level describe clearly how inputs will support intermediary results leading to country outcomes.
Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible	<ul style="list-style-type: none"> <li>• Sector-wide and/or project M&amp;E systems, including MIS</li> <li>• Sector-wide and/or project M&amp;E operational plans and guides</li> <li>• Performance measurement frameworks</li> <li>• Sector-wide performance monitoring strategy</li> <li>• Annual quality control reviews for service delivery to clients/beneficiaries</li> <li>• Data source assessment/review</li> </ul>	M&E system, plans, frameworks and instruments describe the indicators for intermediary results at the sector and project levels, describe methods for data collection and analysis, assign M&E roles and responsibilities, and provide standardised methods for assessing progress.
Manage for, not by, results by arranging resources to achieve outcomes	<ul style="list-style-type: none"> <li>• Special studies (thematic or value-for-money) and policy reviews</li> <li>• External and internal monitoring reports</li> <li>• Mid-term social impact assessments and/or sector/thematic outcome evaluations</li> <li>• Technical milestones linked to financial disbursement schedules</li> <li>• Sector programme reviews</li> <li>• Performance and financial audits</li> <li>• 'Scoreboards' and periodic activity reports</li> </ul>	Studies, reviews assessments, and monitoring all investigate issues related to results achievement, and suggest means of adjusting implementation strategies as required at either the sector-wide or project levels.
Use results information for learning and decision-making as well as reporting and accountability	<ul style="list-style-type: none"> <li>• Annual sector-wide or project performance reports</li> <li>• Stakeholder consultations</li> <li>• Analysis of evaluations</li> </ul>	Reports and consultations provide government officials, sector ministries, development agencies, civil society, grassroots beneficiaries, and other key stakeholders with performance information on progress toward intermediary results and country outcomes at the sector and project level.

Source : MfDR Principles in Action: Sourcebook on Emerging Good Practices (First Issue)

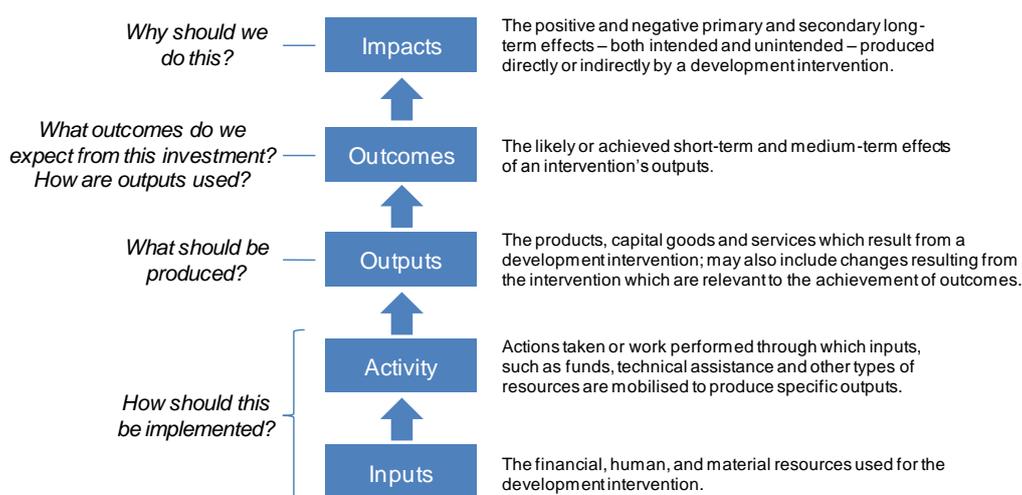
## 2.2 *How to manage for development results*

Periodically measuring results provides the basis for correction and adjustment and enables governments and donor agencies to better guide their performance to keep projects/programmes on track and to maximise their outcomes. This process is centred on a strong notion of causality. Cause-and-effect

relationships between development interventions and the intended results are usually depicted using a “results chain”.

The results chain shows the change processes necessary to achieve desired objectives, beginning with inputs, moving through activities and outputs, and culminating in outcomes, impacts, and regular feedback to the responsible officials and civil society stakeholders. Figure 1 shows a graphical representation of how the development objective is to be achieved through a results chain, including causal relationships and underlying results questions to enable development results.

**Figure 1. Results chain in results-based management**



Source : Overview of MfDR Concepts: Glossary [[http://www.mfdr.org/About/MfDR\\_Glossary.pdf](http://www.mfdr.org/About/MfDR_Glossary.pdf)]

The use of the results chain, in turn, implies that an effective performance assessment can only take place if clear objectives and verifiable targets at output, outcome and impact level have been defined at the outset of the programme. One needs to demonstrate a chain of results from project inputs, to activities, outputs, outcomes and long-term impacts. By focusing on expected results from the very outset of project design, one could measure the associated baseline and target values and indicators for tracking the performance of each proposed investment.

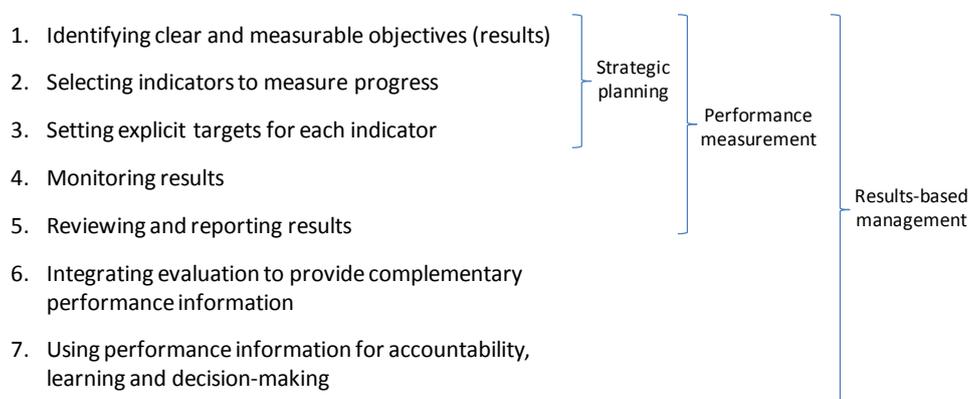
The World Bank’s Trade and Transport Facilitation Programme in Southeast Europe (TTFSE), for example, successfully achieved its objective of reducing the non-tariff costs of trade and transport at selected border crossings in eight countries through, *inter alia*, setting up across the pilot sites a transparent, comparative public performance monitoring system, using a set of clearly defined, standardised performance indicators (OECD/World Bank, 2006). The programme found that measuring the progress through indicators was vital for successful monitoring and implementation of the programme. Evidently, in order to track results, this approach places greater emphasis on setting out clear and appropriate targets, a proper baseline, mechanisms to collect information, and a fully integrated results chain to monitor development and assess what works and what does not work.

This also lies at the core of any results-based management approach. Figure 2 lists the key phases or steps of results-based management.<sup>4</sup> The first three steps generally relate to a results-oriented planning

4 . Based on an OECD/DAC draft paper “Results based management in development co-operation agencies: a review of experience, Executive summary” presented at the DAC Working Party on Aid Evaluation in February 2000.

approach (“strategic planning”). The first five steps, together, are usually included in the concept of “performance measurement”. All seven steps combined are essential to an effective results-based management system.

**Figure 2. Seven phases of results-based management**



An increased focus on results can, however, lead to an overemphasis of the measurement dimension and in a multiplication of indicators, which could ultimately prove detrimental to management. That is why MfDR requires that goals are clear, measurable, limited in number and concrete, with time-bound targets. At the same time, they must be expressed in human development terms and linked to national goals (*i.e.* as development outcomes). In the case of the TTFSE, the programme design was kept flexible to facilitate minor adjustments in initial plans, paying close attention to achieving “realistic” results. The programme objectives sometimes had to be scaled down due to changes in initial conditions and when preliminary performance indicator results failed to meet the initial expectations.

### 2.3 *The role of evaluation*

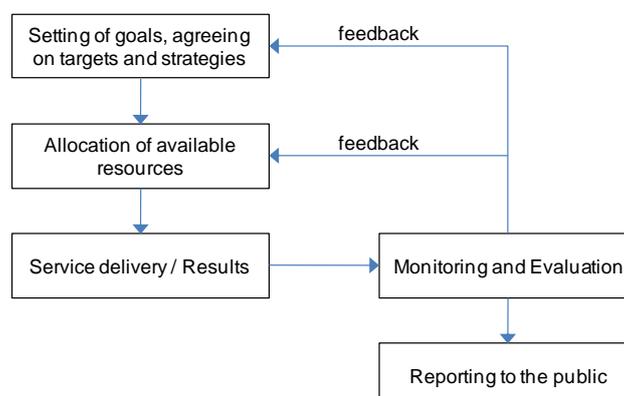
Within the MfDR framework, the performance management and reporting cycle has five core elements: i) setting concrete goals and agreeing on targets and strategies; ii) linking policy measures and budgets (*i.e.* performance-based budgets<sup>5</sup>); iii) monitoring and evaluation (M&E); iv) reporting on performance to the public for accountability; and v) continuous feedback of performance information into decision-making (readjustment of policy measures and resource allocation). Figure 3 sets out a simple graphical representation of the MfDR cycle.

As Figure 3 shows, monitoring and evaluation (M&E) is an integral part of the MfDR cycle. It provides, in real time, important sources of performance information that can contribute to management learning (enabling managers to make timely changes to improve performance if things are off track) and building a knowledge base to improve development policies and programming. Effective reporting promotes transparency and mutual accountability which in turn supports good governance. Evaluation is critical in looking beyond the implementation process (*i.e.* whether activities were implemented in a timely manner and outputs were obtained) to cover the extent to which activities and outputs contribute to reaching the desired outcomes and impacts (including relevance, attribution, cost-effectiveness, sustainability, and unintended results). Whereas performance monitoring answers what results were achieved and whether targets were met, evaluation provides means for learning about why and how those results were achieved.

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5. Performance-based budget implies allocating the available resources to activities that will contribute to the achievement of the desired results. It may also involve the re-allocation of resources according to “actual” results, shifting resources towards better-performing activities and away from poorer-performing activities.

**Figure 3. MfDR cycle**



Source : JV on MfDR

OECD (2009, 2010a) provides a more nuanced discussion on different approaches, methodologies and processes to evaluating aid for trade, including the conceptual challenges, in particular the linkages in the results chains, the attribution problem, and the sequencing of different projects and programmes.

#### **2.4 Institutionalising MfDR at the national and regional level**

Successful application of MfDR requires a shift in mindset and focus. It needs to be based on a leadership and management culture that is focused on achieving results (and not just on compliance) and anchored on solid evidence for decision making. Furthermore, MfDR needs to be a country-led process so that it promotes, not weakens, local structures of accountability, and that it leads to a sustainable improvement in development outcomes. In recognition of these challenges, the 2005 Paris Declaration called for strengthening country capacities and demand for results-based management and set in motion a process to achieve this.

Under this framework, partner countries maintain ownership, define their priorities, agree on expected results through participatory process, and manage effective relationships with donors based on their contributions to the national goals (public accountability). Donors can, in turn, strengthen the impact of their efforts by aligning them to local strategies, and by monitoring and assessing their contributions to outcomes to ensure greater aid effectiveness. That is why it is important that all stakeholders sign up to the shared goals and strategies that have been agreed upon, and keep those who are responsible for implementing the process accountable for delivering the results. It assists partner country governments in both driving forward reforms and remaining accountable for the results they achieve.

Among the key milestones include the establishment of region-wide communities of practice (CoPs) on MfDR in Africa, Asia and Latin America and the Caribbean to exchange and disseminate MfDR knowledge and good practices among practitioners within and between regions.<sup>6</sup> Steps are being undertaken in each region to institutionalise MfDR at the national and sub-national level through the establishment of national and local CoPs.

6. These are: the African Community of Practice, AfCoP-MfDR (<http://copmfdrafrica.ning.com>), the Asia-Pacific Community of Practice, AsCoP-MfDR (<http://cop-mfdr.adb.org>), and the Latin American and Caribbean Community of Practice, CoPLAC-MfDR (<http://www.iadb.org/PRODEV/CoPLAC-MfDR.cfm>).

A diagnostic tool called the MfDR Capacity Scan (CAP-Scan) was also developed as a part of the OECD/DAC Global Partnership on MfDR and supported by a working group of donors.<sup>7</sup> CAP-Scan allows partner countries to conduct assessments that provide a clear view of strengths and capacity gaps, develop actions to address resource needs, and target donor support. Country-owned development is after all the cornerstone of the Paris Declaration.

### 3. Managing aid-for-trade to achieve results

The self-assessment results of the 2009 monitoring survey of the Aid for Trade Initiative indicate that more partner countries are accepting the tenets of mutual accountability and results-based management, while donors are responding by increasingly co-ordinating and aligning their aid-for-trade efforts. Moreover, the same survey found that most of the partner countries have put in place, or are working towards setting up mechanisms to discuss the results of trade-related programmes (OECD/WTO, 2009).

Two-thirds of partner countries reported that they regularly monitored and evaluated their trade-related programmes, and frequently used donors or joint donor-partner country arrangements (including sector-wide approaches). Interestingly, low-income countries tended to show higher rates of monitoring and evaluation than middle-income countries. While nine out of 28 LDCs that responded said they rarely or never monitored, their situation should improve once the Enhanced Integrated Framework's new monitoring and evaluation framework becomes operational. Furthermore, almost all partner countries regularly engaged in dialogues with relevant stakeholders about the formulation and implementation of their trade strategies. In terms of implementation, partner countries underscored the need for strengthened capacity building and improved ownership, which play a key role in determining the effectiveness (thus, results) of aid for trade (OECD/WTO, 2009).

The second aid-for-trade monitoring survey also revealed that more donor agencies were adopting results-oriented approaches (mostly at project-level).<sup>8</sup> According to the survey results, for instance, over 40% of bilateral and multilateral donors that responded said they monitor the potential trade impact of their aid programmes/projects (OECD/WTO, 2009).<sup>9</sup> Moreover, many donors are taking steps to make their respective monitoring and evaluation frameworks more results-oriented. Finland and Sweden, for example, highlighted their plans to strengthen their monitoring and evaluation systems by developing specific indicators, covering also cross-cutting themes such as gender. Germany reported that it was looking at ways to design a mechanism, including impact chains and indicators, for monitoring the implementation of EPAs. Switzerland, in cooperation with UNIDO, was developing a standard logical framework for each of its activity categories (e.g. export promotion, competition and consumer protection policy) as part of its effort to strengthen results-based management. All of these donor efforts are aligned with and contribute towards the WTO Aid for Trade Task Force's emphasis on "the need for concrete and visible results on the ground".

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7. <http://www.mfdr.org/CAP-Scan.html>

8. Donor agencies generally use both quantitative and qualitative indicators. Quantitative indicators have the potential to calibrate the results of activities in volume terms and on that basis facilitate the adoption of a cost-effective approach. Qualitative indicators can be used to assess behaviour and attitudes with a view to measuring the impact and sustainability of the results.

9. See, for example, the Annex Table 2 in OECD (2007), *Trade-Related Assistance: What Do Recent Evaluations Tell Us?*, which provides an overview of performance indicators used by various donor agencies to assess different types of trade-related assistance.

### 3.1 *Challenges: from principles to practice*

Despite all this momentum and apparently widespread acceptance, however, the development of a genuine performance culture that is based on results remains a challenge, not only for partner country governments, but also for donor agencies. The results of the 2008 monitoring survey of the Paris Declaration also indicate that while some progress has been made with respect to the number of countries establishing sound results-based monitoring frameworks<sup>10</sup>, the pace of progress, however, is still insufficient (OECD, 2008a).

One part of the explanation for this is the disincentives to report failures. Reporting failures may generate the perverse results of fewer funds flowing to a specific country or sector, even though the reported failure might serve to enhance the effectiveness of the next round of investment. Indeed, a new study assessing results reporting practices in donor agencies reveals that many of the key MfDR elements (e.g. baselines, targets, results chains) remain missing in donor reporting.<sup>11</sup>

There is still a need to raise awareness about the importance of monitoring and evaluation, both to assess the impact of aid for trade, and to justify continued support of the initiative (OECD/WTO, 2009). A major challenge common to all is designing effective intervention logics or results chains that connect individual project objectives with more strategic, long-term development outcomes and impacts. This is often caused by attribution problems, significant time lapse (between the design of the intervention, its implementation and its impact), and lack of credible data and difficulties in assessing often intangible capacities.

In the case of aid for trade, this problem is compounded further by the large scope and manifold objectives of the Initiative. It is difficult to identify clear and verifiable indicators for measuring the effectiveness and impact of aid-for-trade programmes. Donors concede in their self-assessments that identifying and measuring trade-related outcomes is a real challenge (OECD/WTO, 2009). The European Commission, for example, stated in its self-assessment that monitoring and evaluating the trade impacts of specific aid programmes is unfeasible given the multitudes of external factors that influence trade (OECD/WTO, 2009).

One approach to overcome these constraints would be to **identify and introduce a set of standard indicators in all aid-for-trade interventions to allow for the aggregation of results at the country level and for cross-country comparability**. The use of indicators is crucial in results reporting as indicators specify how expected results have been measured and also define the data to be collected. Where data are hard to come by, proxy indicators could be used. This approach would permit countries to – through harmonised results measurement and reporting practices – observe and compare strengths, weaknesses, and gaps across donors and track progress over time. This, in turn, would help to identify specific actions that can improve the impact of aid for trade.

In order to further this discussion, the rest of this paper will focus on the measurement dimension of managing for results.

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10. The ‘soundness’ of a results-based monitoring framework is judged based on three criteria, which are: i) the quality of the information generated; ii) stakeholder access to the information; and iii) the extent to which the information is utilised within the country.

11. The study, “Results Reporting by Donor Agencies, Draft Final Report (1 June 2010)”, was undertaken by consultants (MDF and Goss Gilroy Inc.) for the OECD-DAC Global Partnership for MfDR.

#### 4. Using indicators to encourage effective aid for trade

Aid-for-trade results are difficult to measure and a range of indicators may need to be used in order to get the full picture. The idea of developing a set of indicators on aid for trade was first introduced at the first Global Aid for Trade Review in 2007. As a follow-up to this recommendation, an Expert Symposium, organised by the WTO in September 2008, discussed with key stakeholders a set of possible indicators. Furthermore, at the November 2008 OECD Policy Dialogue on Aid for Trade a strong case was made for developing indicators that were comparable across countries and time.<sup>12</sup>

The need to show results in aid for trade is growing, particularly in the light of the significant additional resources that have been directed toward trade-related activities in recent years. Stakeholders will need a clearer sense of the outcomes and impacts of those aid-for-trade efforts. The ability to demonstrate results can, in turn, help garner greater political and public support within donor and partner countries for more and better aid for trade. Indeed, one of the key objectives for the way forward concluded by the WTO Director-General Pascal Lamy at the July 2009 Global Review was the continuation of the evaluation work with specific focus on evaluating the “impact” of aid for trade. Some work has already been undertaken to investigate ways to identify indicators to measure the impact of aid-for-trade (Box 2).

##### **Box 1. Using indicators: Some evidence from regression analyses**

A number of recent studies used the World Bank’s indicators to show that aid for trade facilitation has a significant cost-reducing effect on the costs of handling exports. Using a cross-section gravity model, Hoekman and Nicita (2010) show how domestic trade costs are both statistically and quantitatively significant determinant of trade volume (a more limiting factor for international trade than tariffs). A lack of trade facilitation and related infrastructure (i.e. high trade costs) substantially reduces trade volumes. Improving the LPI of low-income countries to the level observed in high-income countries would increase their trade flows by more than 50%, holding everything else equal. Similar results were obtained for the effect of internal trade costs as captured by the Trading Across Borders indicators for exports and imports: a 10% reduction in the cost associated with importing (or exporting) would increase imports (or exports) by about 5% (Hoekman and Nicita, 2010).

Cali and te Velde (2009) also used the Trading Across Borders indicators to estimate whether aid for trade facilitation had any impact on trade costs. Indeed, in terms of cost to export and import a standard-size container (20-foot container), they estimated that a one million dollars increase in aid for trade facilitation would reduce the “per container” cost of packing, loading and transporting a 20-foot container to the port of departure and unloading it on the vessel or truck by 6% or about USD 70. The return on aid for trade facilitation (aggregated savings) could be substantial when considered more than 7 million 20-foot containers were loaded and unloaded in African ports alone in 2000 (Cali and te Velde, 2009).

In the same study, Cali and te Velde (2009) also measured the impact of aid for trade by matching sub-sets of aid with more specific sector-level changes (or outcome variables). They analysed aid to the different sectors (food production, manufacturing, mineral extraction and tourism) and then related sectoral aid to sector-specific exports to identify: whether sectors in the same country that received more aid for trade experienced relatively faster growth in their exports, or whether exports of a sector grew faster in years in which that sector received relatively higher levels of aid for trade. However, their analysis comes with a caveat; there is the possibility of donors allocating more aid for trade to better performing and/or faster reforming countries relative to others, biasing the impact of that aid, i.e. the endogeneity of aid for trade. Indeed, some recent studies (Brenton and von Uexkull, 2009; Cali and te Velde, 2009) have found that the positive effects of sector or product-specific aid for trade (building productive capacity) on exports appear to coincide with aid allocation skewed towards already well performing sectors.

In terms of determining indicators that are most relevant, Gamberoni and Newfarmer (2009) identified a set of indicators to measure “potential demand” for aid for trade. They looked at the determinants of a country’s international competitiveness and degree of integration into the global economy. In particular, they focused on three key determinants of trade performance that governments could influence through their trade and trade-related policies and

12 . <http://www.oecd.org/trade/afdialogue2008>

through the investment of aid-for-trade resources. These were: i) a good regulatory environment; ii) good trade facilitation policies and practices; and iii) a good base of trade capacity (in particular, trade-related infrastructure). Gamberoni and Newfarmer identified five key indicators of trade performance. They then looked at the causes of poor trade performance, what they defined as trade-related domestic capacity constraints (*i.e.* infrastructure, institutions, and policy-induced price incentives), and identified corresponding indicators. Table below lists the resulting sets of possible macro-level aid-for-trade indicators to monitor trade capacity and trade performance that are readily available.

Dimension	Indicator	Source
Trade performance	Real growth of exports of goods and services	WB, World Trade Indicator
	Change in export market share of goods and services	WB, World Trade Indicator
	Competitiveness effect (change in market share)	ITC, Trade Performance Indicator
	Demand effect (change in market share)	ITC, Trade Performance Indicator
	Index of export concentration (Herfindhal)	WB, World Trade Indicator
Infrastructure	Quality of transport and IT	WB, Logistics Performance Index
Institutions	Efficiency of customs	WB, Logistics Performance Index
	Time to export/import	WB, Doing Business
Incentives	Trade restrictiveness index (tariffs only)	WB, World Trade Indicator
	Share of tariff lines with domestic peaks	WB, World Trade Indicator

Source : Adapted from Gamberoni and Newfarmer, 2009

#### 4.1 Attribution or contribution?

Managing for results is about delivering aid in a way that focuses on development outcomes and impacts. However, the further one moves away from specific project or activity-level results to indirect results, the more difficult it becomes to attribute those results to a specific intervention. As we move along the chain, a multitude of external factors will interact with and influence each element of the results chain. A few outputs may also result in several outcomes, and even more impacts. This is why it becomes more difficult to attribute what causes the final impacts. Thus, donors are often confronted with the problem of the “missing middle” (*i.e.* what part of the observed changes have resulted from aid-for-trade activities at the project output level?). These indirect results depend on the interplay between many different factors and actors that cannot be influenced by the project (GTZ, 2008). There are several ways to estimate attribution, each varying in their level of sophistication (Table 2). Nevertheless, the complexity of assessing the impact of individual donor projects on the beneficiary’s overall trade capacities and performance appear to be a key methodological challenge identified by most evaluators (OECD, 2007).

In the case of aid for trade, this problem is compounded by the fact that there are many other variables that may also affect a country’s trade performance such as geographical characteristics, legal system, regional effects, income levels, population size and governance (Cali and te Velde, 2009). For this reason it would be impossible to track all of the causal factors that affect the attainment of the higher-level results. Rather, as Toffolon-Weiss *et al.* (1999) explain, “the results-framework approach focuses on key results that can be influenced by the intervention and will contribute to the desired outcome.” Moreover, Elliot (2007) argues that “[...] as long as measure of ultimate development objectives are moving in the desired direction, then donors should not be overly concerned about being able to attribute the results to aid. If the measures are not showing improvement, then closer scrutiny of the effectiveness of aid delivery and implementation, relative to other factors that affect growth, development and poverty is merited.”

Furthermore, conducting joint evaluations can also help alleviate the administrative burden on the partner countries and determine the collective impact of donors’ efforts (especially *vis-à-vis* new modalities such as general budget support and sector-wide approaches) hence overcoming to some degree the attribution problem individual donors and agencies face (OECD, 2007).

Therefore, despite the methodological challenge, monitoring indirect results and collective contributions of development partners is important to ensure that progress is being made on the ultimate objective of the Aid for Trade Initiative. And this requires, among other things, results-based indicators for continuous monitoring and evaluation, which the rest of this paper will now focus on.

**Table 2. Different methods of estimating attribution**

Method	Application	Advantages	Disadvantages
Opinions of key informants and expert interviews	May be important when the key change is driven by one person (e.g. politician changing a policy)	Low cost	May be influenced by interviewer; likely to be somewhat subjective.
Comparison of treatment and control group (randomised samples)	When samples are large enough – in measuring changes attributable to one step in the results chain (probably not feasible for the whole model in one trial)	Held by statisticians to be the most reliable way to measure results (albeit based mainly on experiences with simple / single treatments)	Difficult to design and administer if the treatment group is self-selecting (e.g. buying a service). In that case, a randomised sample would need to be refused a service they tried to purchase.
Quasi-experimental design (difference-of-difference: comparing before and after for treatment and control groups)	Often appropriate for pilot efforts and/or measuring attributable changes in one step in the results chain	More approximate, in acknowledging that the control group is not an exact control	Cheaper than randomised controlled trials, but still expensive. Careful design and measurement needed to ensure accuracy. Not valid when the target group is unique, as is often the case with large urban clusters, or when interventions can influence the control group as well as the treatment group.
Participatory approaches (focus groups etc.)	Where the change in behaviour might have been caused by different factors	May be the only way to show attribution in some cases	May be subjective, open to bias (e.g. high subsidies may attract positive ratings, even though not sustainable).
Observation	Where attribution is fairly clear (e.g. resulting from new technology)	Low cost	May not be perceived as convincing – especially where attribution is not obvious.
Regression analysis	Where a wide range of data can be accurately gathered	Can be reasonably accurate if well designed and executed	High level of skill needed; Accuracy relies on identifying and gathering data on other significant factors contributing to the change.
Extrapolation of attribution proven in pilot or case study	Where funds are not available for large-scale measurement	Low cost, relatively convincing	Needs periodic verification by other means (e.g. through surveys or additional case studies).
Trend analysis	Where other, large trends are very significant and trends can be reasonably tracked and estimated	Takes into account larger economic and market trends; relatively low cost	Risks assuming that the identified and measured trends are the only (or main) ones applicable; best used, therefore, in combination with other methods.
Case studies analysing behaviour and performance changes at each step of the results chain	Where qualitative understanding is needed, in order to interpret quantitative data	Low cost; can be a good indication of attribution if well designed and executed	May not represent the universe of beneficiaries; can be time consuming; may be influenced by interviews.

Source : Adapted from DCED (2010: Table 3, p.33)

## 4.2 Typology of indicators

What actions are expected to lead to what results? In order to establish the basis for measuring impact, relevant programme indicators are needed for each step in the result chain (*i.e.* inputs → activity → outputs → outcomes → impacts) to show how changes at each level lead to changes at the next level, ultimately impacting on the long-term development objectives (*e.g.* poverty reduction). These programme indicators are comprised of **monitoring indicators** which primarily relate to inputs and outputs, including progress in the use of allocated funds, and **performance indicators** which primarily focus on outcomes and impacts.<sup>13</sup>

13 . EuropeAid Evaluation Guidelines: Evaluation Methods  
[[http://ec.europa.eu/europeaid/evaluation/methodology/methods/mth\\_cid\\_en.htm](http://ec.europa.eu/europeaid/evaluation/methodology/methods/mth_cid_en.htm)].

Indicators provide indications (or yardsticks) of the extent of changes and achievement of objectives. It is worth briefly recalling some of the basic definitions of indicators used by some donors to ensure clarity about the main terms involved.<sup>14</sup>

**Figure 4. Different levels of indicators and terms used by select donors**

	INPUTS	ACTIVITY	OUTPUTS	OUTCOMES	IMPACTS
EU	<b>Input indicators:</b> Financial, human, material, organisation or regulatory resources mobilised during the implementation of the intervention.	<b>Activity indicators:</b> Implementation and management process.	<b>Output indicators:</b> Goods and services that are delivered under the responsibility of the managers of the intervention.	<b>Results indicators:</b> Immediate effects of the intervention for its direct addressees.	<b>Impact indicators:</b> Far reaching and indirect consequences of the intervention.
MCC		<b>Process Milestone Indicators</b> measure progress towards the completion of project activities; a precursor to the achievement of output indicators and a way to ensure the work plan is proceeding on time to sufficiently guarantee that outcomes will be met as planned.	<b>Output indicators</b> directly measure project activities. They describe and quantify the goods and services produced directly by the implementation of an activity.	<b>Outcome indicators and Objective indicators</b> measure the intermediate (medium- to long-term) effects of an activity or set of activities and are directly related to the output indicators.	<b>Goal indicators</b> measure the economic growth and poverty reduction changes that occur during or after implementation of the programme. For MCC Compacts, goal indicators will almost always be a direct measure of income and/or poverty.
JICA	<b>Input indicators</b> express the resources introduced into the project.	<b>Process indicators</b> express the progress of activities within the project, e.g. indicators showing how much a budget has been depleted.	<b>Output indicators</b> measure the results of the project activities, or the products (goods & services) created by the project, i.e. the outputs of the logic model.	<b>Direct Outcome indicators</b> express direct and short-term changes brought about by the project. <b>Intermediate Outcome indicators</b> express medium-term changes brought about by the project for beneficiaries and society.	<b>Final Outcome indicators</b> express broad-based and long-term changes brought about by the project for beneficiaries and society (also referred to as impact indicators).

Source : Compiled by the author based on EU (2006), MCC (2009) and JICA (2005)

Although donors sometimes use slightly different terms and/or definitions (Figure 4), in general, indicators are classified into three types.

*i) Input, Activity and Output indicators*

Micro-level (*i.e.* Input, Activity and Output) indicators concern narrow, project-related measures. They are used for the project-level management and help to track implementation progress based on benchmarks and baseline data. **Input indicators** provide information on financial, human, material, organisational or regulatory resources mobilised during the implementation of the intervention. **Output indicators** describe and quantify the goods and services produced directly by the implementation of an activity. These results, in turn, represent the building blocks that provide the basis for (and valuable monitoring information on progress towards) the attainment of the desired macro-level (*i.e.* Outcome and Impact) results.

*ii) Outcome indicators*

The country-level results will consist in large part of the targets/objectives achieved by individual projects. Outcome indicators are used to measure the “intermediate” effects of an activity or set of activities targeted by aid for trade, and are directly related to the output indicators. Outcome indicators

14 . The DAC defines indicators as a “quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor” (OECD, 2002). They need to be simple but also SMART (specific, measurable, attainable, relevant and time-bound) and comparable across countries (OECD, 2008b). Moreover, indicators should be used to “provide approximate answers to a few important questions rather than seek to provide exact answers to many less important questions” (UNDP, undated).

refer to the degree to which results are achieved over time and so can be further classified as short- and medium-term outcomes.

**Short-term outcome indicators** are more directly linked (*i.e.* do not need additional intermediate results to understand the linkage) with the short-term changes brought about by the project outputs. These are a set of “lower-level” intermediate results that need to be reached to achieve a longer-term objective. Unlike estimating a relationship between aid and growth, the links between aid for trade and trade-related performance (enhanced trade capacity) are more direct. For example, in terms of aid for trade facilitation, improvements in trade costs and competitiveness may be closely linked to the aid provided. The results at this level contribute to further changes in the medium- to long-run that can no longer be causally attributed to an individual measure.

**Medium-term outcome indicators** are used to measure medium-term changes (indirectly) brought about by the project on beneficiaries. An intermediate result is a discrete result or outcome essential for the achievement of the final outcome (or another intermediate result critical to achieving the final outcome). For example, changes in trade or investment flows are the expected result of aid for trade (*e.g.* transport infrastructure) at this level of objectives. However, these occur for any number of reasons and the lags between the provision of aid and improved trade performance can be long, making attribution of this result to aid difficult. Results at this level cannot be attributed to a development measure but its outputs do plausibly contribute to achieving the objectives.

It is at the level of outcomes where there is the potential for adopting a focused set of standard indicators at the sector level that help aggregate results data from across aid-for-trade projects at the national, regional and global level. The aggregation of data is important in reporting results at a macro and organisational level. This set of indicators will capture the development partners’ “collective contributions” to results achieved on the ground.

iii) *Impact indicators*

**Impact indicators** are used to measure broad-based, long-term changes (directly or indirectly, intended or unintended) brought about by the project on beneficiaries (*i.e.* ultimate goals, growth and poverty reduction). These changes are more difficult to predict and be attributed to the results chain of causation. It lies beyond the “attribution gap” (GTZ, 2008). In the case of the Aid for Trade Initiative, the goals are to “enable developing countries, particularly LDCs, to use trade more effectively to promote growth, development and poverty reduction and to achieve their development objectives, including the Millennium Development Goals (MDGs)” (WTO, 2006). Given such broad-based goals, it will be even harder to trace back outcomes and impacts clearly to the micro-level aid-for-trade activities, let alone establish the counterfactual. Rather this level of results tracks the development progress at the national, regional and global level through selected macro-level outcomes to which the Aid for Trade Initiative contributes (*e.g.* growth and income distribution effects as well as contribution to poverty reduction). These outcomes result from collective and collaborative action of development partners over the long term and represent the major development outcomes the Aid for Trade Initiative is seeking and to which aid-for-trade interventions aim to contribute (not direct or individual attribution).

Hence, indicators at this level will include a combination of: i) basic **contextual indicators** (relating to the demographic, social and economic conditions of a country) to provide the necessary background for understanding development concerns; and ii) **global indicators** (relating to development goals and objectives set forth in the UN and other international for a) to provide further insights into thematic or cross-cutting issues of major development concern, *e.g.* gender and environment. The contextual indicators are often designed to highlight the specificities of a local context and hence do not provide a global and normative view of the country’s situation.

## 5. Towards aid-for-trade indicators

Although attribution is a problem, outcome indicators are useful to point towards the direction of changes with which the programme can be associated. While the choice of indicators tends to be driven in part by data availability, myriad indicators related to different areas of aid for trade are available today (see Annex Table 1).

The key to a light but effective monitoring system is to have a clear focus on results. The first step is to narrow down the variables that can affect trade performance and identify those that can be related to the investment of aid-for-trade resources. UNDP has set out a number of caveats for identifying aid-for-trade indicators.<sup>15</sup>

- Provide factual information about implementation progress
- Not try to point to possible causation between different variables
- Universal coverage or as near universal coverage as possible with consensus on validity
- Story emerging should be recognisable and conducive to a constructive dialogue focused on where further improvements are required
- Final product should not aim at researchers and analysts, or becoming a diagnostic or evaluation tool for programming
- It should not aim to be comprehensive
- Indicators should remain a political tool for assessing overall trends and progress
- Presentation should be based as much as possible on benchmarking and cross-country comparisons
- Final product is easily readable, non-judgmental and accessible

As more donors look to develop results frameworks for their aid-for-trade programmes<sup>16</sup>, introducing a limited number of indicators to measure results would enable donors and partners to “add up” these results across programmes and projects for benchmarking and for cross-country comparability. This is also in line with the spirit of the Paris Declaration and the Accra Agenda for Action which called for the maximum effort to arrive at harmonised international indicators.

### 5.1 *The case for common indicators*

As pointed out in the preceding section, the need to show results in aid for trade is growing, particularly in the light of the significant additional resources that have been directed toward trade-related activities in recent years (OECD/WTO, 2009). However, there are a plethora of indicators that are being generated and currently used by various partners to assess progress towards achieving specific aid-for-trade results. For instance, in its 2001 guidelines, *Strengthening Trade Capacity for Development*, the OECD Development Assistance Committee (DAC) identified a number of indicators for assessing donor support for trade capacity building (OECD, 2001).<sup>17</sup> OECD (2007) compiled a list of performance indicators used by various donor agencies to assess different types of trade policy and regulations and trade development

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15 . UNDP presentation on “The Case for Indicators of Context, Trade Mainstreaming and Donors’ response” at the WTO Symposium on Identifying Indicators for Monitoring Aid for Trade, 15-16 September 2008 (available at: [http://www.wto.org/english/tratop\\_e/devel\\_e/a4t\\_e/symp\\_sept08\\_sess3\\_undp\\_e.pps](http://www.wto.org/english/tratop_e/devel_e/a4t_e/symp_sept08_sess3_undp_e.pps)).

16 . Few donors (DFID, IADB, World Bank) have started to develop results frameworks for their aid-for-trade programmes and strategies.

17 . Trade capacity building covered the trade policy environment, policy-making capacities relevant to national, regional and multilateral trade, export-related capacities and infrastructure, trade facilitation and support services, and market access (OECD, 2001: p.22).

projects. An alternative framework was presented by Elliot (2007) who proposed a number of potential indicators at the project output level, as well as the outcomes and the impact levels to assess the impact of donor support aimed at addressing supply-side constraints (Table 3).

**Table 3. Possible indicators for supply-side constraints**

Achievement of immediate project goals (Outputs)	Measures of trade costs & competitiveness (Short-term outcomes)	Measures of trade & investment flows (Medium-term outcomes)	Impact on ultimate goals
<ul style="list-style-type: none"> <li>• Km of roads built &amp; maintained</li> <li>• Increases in sea/air port capacity</li> <li>• Increases in access to landlines, cell phones, internet</li> <li>• Access to credit</li> <li>• Reductions in power outages</li> <li>• Access to cold storage, especially in rural areas</li> <li>• Increased compliance with SPS, other international standards</li> <li>• Rationalisation, harmonisation of regulations related to trade, transit in regional trade agreements, especially involving land-locked countries</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in no of forms required to import/export</li> <li>• Reductions in days for goods to clear customs</li> <li>• Reduction in trade taxes, especially on key technologies, other inputs</li> <li>• Reduction in internal transit time to market, port, or end user</li> <li>• Reduction in total time to get goods to destination</li> <li>• Reduction in the share of output not reaching market due to delivery delays</li> <li>• Competition measured by market shares of top 5 or 10 firms providing logistics, transportation services</li> <li>• Reduction in transportation costs (changes in cif/fob)</li> <li>• Size of inventories held</li> <li>• Effects of aid on exchange rate</li> </ul>	<ul style="list-style-type: none"> <li>• Increased capacity in sectors producing tradable goods and/or services</li> <li>• Increased value-added in tradable goods and/or services sectors</li> <li>• Increased firm-level productivity</li> <li>• Change in global export shared (total &amp; in key sectors)</li> <li>• Diversification of exports (share of top 5 products in total exports)</li> <li>• Increased private investment (foreign or domestic) in and around infrastructure projects and in productive sectors receiving assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Higher employment levels in tradable goods and/or services sector</li> <li>• Increased no of subsistence farmers engaging in market activities (local or export)</li> <li>• Lower shares in economic activity / employment for informal sector</li> <li>• Higher &amp; sustained growth following increases in trade</li> <li>• Higher overall employment if growth stimulated</li> <li>• Reductions in poverty rates</li> </ul>

Source: Adapted from Elliot (2007)

Harmonisation of indicators among development partners is neither feasible nor desirable given differences in operational needs and strategic priorities. Micro-level indicators, for instance, are used to monitor specific project needs and priorities and thus vary by project and cannot be aggregated across projects. However, there are some commonalities among desired results at the sector outcome level and such similarities can be enhanced and used.

Indeed, there is considerable benefit in developing and integrating a small number of ‘universal’ indicators across all aid-for-trade interventions. This will allow benchmarking of the aggregated progress in building trade capacity at the country level. The challenge, however, is to select indicators which are broad enough to capture the wide range of aid-for-trade projects while still providing credible information on how aid for trade is achieving results in trade capacity and in helping partner countries to expand trade and develop.

There are several donors and donor programmes within the aid-for-trade realm that have adopted common-indicator approaches to manage and account for results (Box 3). The idea is to establish a *menu* of indicators though not a definitive or comprehensive one. It should be reasonably representative of the essential characteristics of aid for trade – per activity sector defined by the Aid for Trade Task Force (Table 4) – but at the same time shaped by data availability. These indicators, taken together, provide a sense of the progress and challenges at the country level and contribute to a broader effort of making aid

for trade more effective. This menu will also be subject to improvement over time as our knowledge base improves.

### Box 2. Examples of common-indicator approaches

The U.S. Millennium Challenge Corporation (MCC), for example, whose monitoring framework focuses on objectively measurable outcomes to reduce “the ambiguity and sometimes conflicting objectives that can undermine development assistance” (Wiebe, 2008), employs sector-wide “common” indicators (specified at all indicator levels, *i.e.* Activity, Output and Outcome) to measure progress and aggregate results across recipient countries within certain sectors.<sup>1</sup>

The International Finance Corporation’s (IFC) Development Outcome Tracking System (DOTS)<sup>2</sup> uses standardised, industry-specific indicators for tracking outputs and outcomes of IFC-supported companies and capturing the overall development results (although not an estimate of the result specifically attributable to its investment). There are also corporate-level indicators to track outcomes related to broad themes that are relevant to all projects (*e.g.* corporate governance, environmental and social improvements). Results from individual projects are aggregated for comparison and reporting within industry sectors as well as across IFC as a whole.

The Enhanced Integrated Framework (EIF) has defined explicit targets and corresponding indicators for key results areas at each level of the logical framework (*i.e.* short-term outcomes, medium-term outcomes and impacts).<sup>3</sup> These indicators are used to aggregate results across all EIF partner countries and assess the overall contribution of EIF to the performance of LDCs (Smith, 2009a). Because the scope and range of each project is specific to the intended results of the project – hence indicators will also vary by project – the EIF monitoring and evaluation framework does not specify project –level output indicators.

The leading multilateral development banks (MDBs) formed a working group on MfDR with the aim of improving results monitoring and reporting at the corporate level.<sup>4</sup> The group established a common performance assessment system (COMPAS) with corporate-level development results frameworks with “shared accountability” for outputs and outcomes. MDBs are now discussing ways to develop and use a common set of standardised sector indicators to capture aggregate MDB contributions to results in select areas (*e.g.* agriculture, SME development, road transport and energy) at country, regional and global level.

1. [www.mcc.gov/mcc/panda/activities/mandate/index.shtml](http://www.mcc.gov/mcc/panda/activities/mandate/index.shtml)
2. [www.ifc.org/ifcext/devresultsinvestments.nsf/Content/DOTS](http://www.ifc.org/ifcext/devresultsinvestments.nsf/Content/DOTS)
3. [www.integratedframework.org/news.htm#Monitoring%20and%20Evaluation%20Framework](http://www.integratedframework.org/news.htm#Monitoring%20and%20Evaluation%20Framework)
4. Participating MDBs include: AfDB, ADB, EBRD, IFAD, IADB, IsDB and the World Bank Group (IBRD and IFC). See [www.mfdr.org/Compas/index.html](http://www.mfdr.org/Compas/index.html)

The practical application of this results framework led to the development by the OECD and the WTO of the ‘aid-for-trade at a glance’ country fact sheet.<sup>18</sup> It is a tool meant to enable cross-country comparisons at a glance based on a limited number of indicators drawn from existing sources. However, the country fact sheet should be seen as an “evolving” tool. It does not provide all the answers for how to do MfDR in aid for trade, nor does it claim to be able to. But it provided a starting point to help countries to discuss where gaps remain in making aid for trade more results-oriented and ways in which to overcome them.

**Table 4. Aid for trade by category**

Sector	Sub-sector	CRS code
Trade Policy and Regulations	Trade policy and administrative management	33110
	Trade facilitation	33120
	Regional trade agreements (RTAs)	33130
	Multilateral trade negotiations	33140
	Trade education/training	33181
Economic infrastructure	Transport and storage	21010 to 21081
	Communications	22010 to 22040
	Energy supply and generation	23010 to 23082

18. [http://www.oecd.org/document/5/0,3343,en\\_2649\\_34665\\_39119685\\_1\\_1\\_1\\_1.00.html](http://www.oecd.org/document/5/0,3343,en_2649_34665_39119685_1_1_1_1.00.html)

Building productive capacities	Business and other services	25010
	Banking and financial services	24010 to 24081
	Agriculture	31110 to 31195
	Forestry	31210 to 31291
	Fishing	31310 to 31391
	Industry	32110 to 32182
	Mineral resources and mining	32210 to 32268
	Tourism	33210
Trade-related adjustment		33150

The tool should be further strengthened to improve, on a country-by-country basis, the measurement of progress that is being made in building trade capacity and the consequent trade impact in terms of improvements in the trade performance of recipient countries. To this end, two distinct series of indicators need to be considered: i) sector-based indicators to track the sector-specific outcomes of aid-for-trade; and ii) context indicators to measure the results of the country's policies in terms of key development goals. Building capacity is a critical component of aid-for-trade support. Proxy indicators may need to be used to measure such intangible results like institutional building and human capacity. Since these are often country or case specific, the aggregation of results in trade capacity will also be a challenge.

## 5.2 *A good practice example*

In some aid-for-trade sectors, donors are already pursuing a harmonised approach by developing focused sets of “universal” indicators to determine the levels of achievements and compare these across countries. One such good example is the case of **the Donor Committee for Enterprise Development (DCED)**. There is much to draw upon from their experience and lessons in developing and agreeing on such universal aid-for-trade indicators.

Faced with the need to show results, the members of the DCED agreed on developing a common methodology for quantifying and measuring results in private sector development (PSD) programmes in ways that are comparable. The rationales for establishing a common standard for measuring results are to:

1. Enable implementing organisations to quantify and communicate their achievements in ways which are credible, and which can ultimately be benchmarked;
2. Save implementing organisations from having to ‘reinvent the wheel’, wasting time and energy in developing a results measurement system that duplicates what others are doing, and what funding organisations may later ask them to do;
3. Enable donors to add together and ‘bulk up’ the results of the initiatives they fund, for example to report to their Parliamentarians and tax-paying constituencies against the MDGs; and,
4. Support all involved, including partner organisations, in focusing increasingly on outcomes and impacts, rather than on outputs (DCED, 2010).

Consequently, DCED agreed on and established the following three “universal” indicators to be used to determine the level of achievements of the programme.

- *Scale*: Number of target enterprises who received a financial benefit as a result of the programme's activities, each year and cumulatively. The programme must define its “target enterprises”.

- *Net income:* Additional net income (additional sales minus additional costs) accrued to targeted enterprises as a result of the programme per year. In addition, the programme must explain why this income is likely to be sustainable.
- *Net additional jobs created:* Net additional, full time equivalent jobs created in target enterprises as a result of the programme, per year and cumulatively. “Additional” means jobs created minus jobs lost. The programme must explain why these jobs are likely to be sustainable. Jobs saved or sustained may be reported separately (DCED, 2010).

They emphasised limiting the number of universal indicators to only a few. These refer to medium-term indicators and will enable donors and others to aggregate and benchmark impact across different programmes (DCED, 2010). These indicators are recommended to be integrated in the relevant results chains across all participating PSD programmes.

## **6. Ways forward**

The need to show results in aid for trade is growing. We are clearly shifting focus from monitoring resources to measuring outcomes. However, at the same time, because the Initiative encompasses a broad range of activities – each with differing objectives, some not even solely trade-related – such a task of quantifying and measuring results in aid for trade is also rather complicated.

Moreover, as this paper illustrates, there are a plethora of indicators that are being generated and currently used to assess progress towards achieving specific aid-for-trade results. As more donors look to develop results frameworks for their respective aid-for-trade programmes and strategies, we should seize this opportunity to move toward a harmonised approach to monitoring and reporting aid-for-trade results in line with the spirit of the Paris Declaration and the Accra Agenda which called for the maximum effort to arrive at harmonised international indicators. More importantly, we need to work together to develop a manageable number of indicators in order to avoid flooding partner countries with a sea of indicators.

This paper has shown that there is much to gain from establishing a harmonised approach to aid-for-trade results measurement. The main proposal is that there is considerable benefit in agreeing on a limited set of common indicators across aid-for-trade programmes to benchmark progress in building trade capacity and inform decision-making in real time and to guide more in-depth analysis in evaluations. A more harmonised approach also provides a basis for joint assessments of aid for trade with partner governments and between donors. Furthermore many different actors are involved in aid-for-trade monitoring. Therefore the process of collecting information for monitoring can be made easier if we have benchmark indicators, a few common indicators all feel central to the monitoring exercise.

This should be done at the outcome level to allow for the aggregation of results. Indeed, the macro-level monitoring of aid-for-trade flows based on CRS data can be complemented by the macro-level indicators of the progress that is being made in building trade capacity of partner countries and the consequent trade impact in terms of improvements in the trade performance of these countries. This paper has highlighted the example of the universal indicators developed by the members of the Donor Committee for Enterprise Development. The idea is to apply a similar approach for the work on monitoring results in aid for trade.

These common indicators would be systematically integrated in the relevant aid-for-trade results frameworks across all donors (in addition to their regular project-specific indicators). This, in turn, would enable donors and partners alike to aggregate key aid-for-trade results for benchmarking individual countries’ trade performance and for cross-country comparability. The aid-for-trade country fact sheet was the first attempt at developing a relative simple framework with a limited set of key indicators. It was

presented as an evolving tool and should be further strengthened by focusing on a small but critical set of common indicators.

Finally, successful application of MfDR requires a shift in mindset and focus. It needs to be based on a leadership and management culture that is focused, not just on compliance, but on achieving results (including monitoring and reporting of outcomes), and that is anchored on solid evidence for decision making.

**Annex Table 1. Examples of existing trade-related indicators**

<b>Trade Performance Indicators</b>		<b>Source</b>
Trade and Development Index (TDI)	TDI is designed as a mechanism for monitoring the trade and development performance of countries, a diagnostic device to identify factors affecting such performance, and a policy tool to help stimulate and promote national and international policies and actions for development and poverty reduction.	UNCTAD
Trade Performance Index (TPI)	TPI calculates the level of competitiveness and diversification of a particular export sector and compare results across countries. At present, the TPI covers 184 countries and 14 different export sectors, and provides three types of indicators: i) a general profile; ii) a country position for the latest available year; and iii) changes in export performance in recent years. Its composite ranking is based on five criteria which are value of net exports, per capita exports, world market share, diversification of products and of markets.	International Trade Centre
Enabling Trade Index (ETI)	ETI is an aggregate indicator constructed from a range of both hard data and survey data, and focuses on the broader trading environment in a country. It aims to assess the extent to which countries around the globe have in place the institutions and policies for enabling trade. The World Economic Forum publishes an annual report where 123 different countries are measured against this index.	The World Economic Forum
World Trade Indicators (WTI)	WTI database is a tool that enables countries to benchmark their trade policy and performance and compare across countries and country groupings (e.g. by region, income group, regional trade agreements, etc.). It contains a broad set (about 450 variables) of trade-related policy and outcome indicators for 211 countries and territories. WTI is organised around five thematic pillars: i) Trade policy; ii) External environment; iii) Institutional environment; iv) Trade facilitation; and v) Trade outcome.	World Bank Institute
<b>Category-specific Indicators</b>		
Infrastructure and Agribusiness Indicators	The International Finance Corporation (IFC) established in 2005 a systematic indicator framework called the Development Outcome Tracking System (DOTS) to monitor the development results of IFC's investments and advisory services and make performance comparisons across its projects. Within this results tracking system, each IFC industry department has identified a number of standard, industry-specific indicators that are tailored to focus on those outcomes that are most relevant to each industry.	International Finance Corporation
AICD database on Africa's Infrastructure	AICD programme developed a suite of indicators (containing a total of 893 variables) to measure performance in nine major infrastructure sectors (air transport, ICT, irrigation, ports, power, railways, roads, water and sanitation) across 24 African countries. Quantitative indicators include infrastructure performance measures of access, efficiency, quality, and financial performance, with a focus on infrastructure service providers such as utilities. Qualitative indicators measure the institutional, legal and regulatory frameworks of each sector.	Africa Infrastructure Country Diagnostic
Logistics Performance Index (LPI)	LPI is a benchmarking tool focused specifically on measuring the trade and transport facilitation "friendliness" of countries. It reflects the overall perception of a country's logistics environment and compares the trade logistics profiles of 155 countries. LPI measures: i) Efficiency of the customs clearance process; ii) Quality of transport and transport-related infrastructure; iii) Ease of arranging competitively priced shipments; iv) Competence and quality of logistics services; v) Ability to track and trace consignments; and vi) Frequency with which shipments reach the consignee within the scheduled or expected time.	World Bank
Doing Business; Trading Across Borders Indicators	The Trading Across Borders indicator series (drawn from the Doing Business database) represents a country's trade facilitation capabilities and consists of objective measures of the trade facilitation environment: i) Number of documents for import and export; ii) Time (in days) for import and export; iii) Cost (USD per container) to import and export. It estimates the monetary costs associated with shipping goods from the factory gate to the port, and from ports to retail outlets for a standard container.	World Bank

World Telecommunication / ICT Indicators Database	The database captures the level of advancement of information and communications technologies in more than 150 countries. Its main objective is to provide policymakers with a tool to benchmark and assess their information society developments and to monitor progress that has been made globally to close the digital divide.	International Telecommunication Union
Travel and Tourism Competitiveness Index (TTCI)	TTCI, which covers 133 countries, provides a comprehensive strategic tool for measuring the factors and policies that make it attractive to develop the tourism sector in different countries. The index is based on over 70 indicators.	World Economic Forum
Indicators of Financial Structure, Development and Soundness	The indicators include system-wide indicators of size, breadth, and composition of the financial system; indicators of key attributes such as competition, concentration, efficiency, and access; and measures of the scope, coverage, and outreach of financial services.	International Monetary Fund
IEA Energy Statistics	The Energy Statistics Division of IEA collects, processes and publishes data and information on energy production, trade, stock, transformation, consumption, prices and taxes as well as on greenhouse gas emissions. Data is available for all OECD member economies and over 100 non-OECD member economies.	International Energy Agency
Asia Regional Integration Indicators	The Asia Regional Integration Centre has developed a set of indicators which measure regional integration in areas of trade, investment and financial markets. Data is collected from 19 Asian countries.	Asian Development Bank

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