The Development Dimension

Aid for Trade and Development Results

A MANAGEMENT FRAMEWORK

OECD

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BETTER POLICIES FOR BETTER LIVES

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Please cite this publication as:
OECD (2013), *Aid for Trade and Development Results: A Management Framework*, The Development Dimension, OECD Publishing.
http://dx.doi.org/10.1787/9789264112537-en

ISBN 978-92-64-20153-8 (print)
ISBN 978-92-64-11253-7 (PDF)

Series: The Development Dimension
ISSN 1990-1380 (print)
ISSN 1990-1372 (online)

European Union
Catalogue number: MN-01-13-141-EN-C (print)
Catalogue number: MN-01-13-141-EN-N (PDF)
ISBN 978-92-79-30107-0 (print)
ISBN 978-92-79-30106-3 (PDF)

Corrigenda to OECD publications may be found on line at: *www.oecd.org/publishing/corrigenda*.

Foreword

History has shown that openness to trade is a key ingredient for economic success and for improving living standards. By connecting local producers to domestic, regional and global markets, trade helps enhance the productive capacity of the entire economy and − depending on the pace and pattern of this growth process − reduce poverty. It facilitates the availability of technology, know-how and other services. It helps to make goods cheaper and more widely available. It also weakens the grip of local or regional monopolies.

Many developing countries have succeeded in benefitting from the expansion of regional and global markets. Steady reductions in trade barriers have enabled these countries to rapidly integrate into world markets through export-led industrialisation and thereby share in the prosperity generated by globalisation. But simply opening the economy to international trade is not enough. Developing countries – especially the least developed – require help in building their capacity to trade. Information, policies, procedures, institutions and infrastructure: all are important factors to integrate and compete effectively in global markets.

Members of the OECD, international financial institutions and providers of South-South co-operation have devoted significant amounts of development finance to alleviate binding trade related constraints. This support has not only helped expand trade, but has also had impressive results in improving livelihoods for men and women.

However, it is extremely difficult to be precise about the contribution of specific programmes and projects to macroeconomic outcomes. Traditionally, evaluations of donor programmes focused on financial accountability and due diligence i.e. were the funds used for its intended purpose. More recently, donors are focusing on what has worked and why, i.e. the focus is put on development outcomes. The state of the art uses the methodology of randomised control trials, which compare the impact of projects on the people or areas where projects took place to others were they did not.. Unfortunately, these assessments are expensive, while the findings are difficult to generalise.

This book on managing aid for trade and development results offers an alternative between a focus on financial accountability and the current flavour of impact assessment. It follows business approaches of setting quantifiable objectives or targets and measuring performance based on limited set of indicators. This approach – management for development results –has been gaining traction in the development community ever since it was promoted by the 2005 Paris Declaration on Aid Effectiveness. For aid for trade, where links between inputs, outputs, outcomes and impacts depend on many factors beyond the programme reach, it provides a framework for staying focused on aid as an engine of growth and poverty reduction.

The aid for trade management tool has been developed on the basis of case studies of national monitoring and evaluation frameworks in Bangladesh, Colombia, Ghana, Rwanda, Solomon Islands and Vietnam. These studies clearly show that there is a fertile basis for introducing this tool to manage aid for trade and development results.

Erik Solheim
Chair of the Development Assistance Committee

Fernando de Mateo
Chair of the Trade Committee

Acknowledgements

The OECD would like to express its sincere appreciation to all partner country governments that participated in this project and to acknowledge the valuable contributions from a team of consultants comprised of Olivier Cattaneo (Trade Targets), John Winter (Solomon Islands), Khairuzzaman Mozumder, Mohammad Mashooqur Rahman Sikder and Mohammad Farhad (Bangladesh), Bernardin Senadza and A.D. Amarquaye Laryea (Ghana), Vu Quoc Huy, Tran Hung and Phung Van Quan (Vietnam), Richard Newfarmer, Michele Savini Zangrandi and Mariana Vijil (Rwanda), Alfie A. Ulloa Urrutia and Silvia Constain (Colombia).

Masato Hayashikawa, William Hynes, Evdokia Moïsé, Megan Kennedy-Chouane from the OECD and Michael Roberts, Aime Murigande and Deborah Barker from the WTO Development Division provided valuable advice as did Carolyn Roberts (Inter-American Development Bank), Bryan Fornari (European Commission), Alhassan Iddrisu (Ghana), Simon Dawkins (Pacific Islands Forum), Amitava Chakraborty and Nesar Ahmed (Bangladesh), Cao Manh Cuong (Vietnam), George Tuti and Shivraj Bhatt (Solomon Islands). The OECD is grateful to the participants of the OECD Policy Dialogue on Aid for Trade for their valuable inputs and comments on earlier drafts.

John Smith edited the report and Susan Hodgson and Se Eun Park provided excellent assistance. The report was prepared under the auspices of the OECD Development Assistance Committee and the Working Party of the Trade Committee and managed by Frans Lammersen.

The financial support for this project from the European Commission is gratefully acknowledged.

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Acronyms

AAP	Annual Action Plan
ACP	African Caribbean Pacific
ADB	Asian Development Bank
ADI	Africa Development Indicators
ADVANCE	Agriculture Development Value Chain Enhancement Programme
AEF	Aid Effectiveness Forum
AEU	Aid Effectiveness Unit (ERD)
AEWG	Aid Effectiveness Working Group
AFD	Agence Française de Développement
AfDB	African Development Bank
AfT	Aid for Trade
AGI	Association of Ghanaian Industries
AGRA	Alliance for a Green Revolution in Africa
AICD	Africa Infrastructure Country Diagnostic
ANDI	National Business Association of Colombia
APHIS	African Post-Harvest Losses Information System
APR	Annual Performance Report
APR	Annual Progress Report
ASEAN	Association of Southeast Asian Nations
ASWG	Agricultural Sector Working Group
ASYCUDA	Automated System for Customs Data
AusAID	Australian Government Overseas Aid Programme
BDS	Business Development Services
BDXDP	Bangladesh Export Diversification Project
BFTI	Bangladesh Foreign Trade Institute
BoP	Balance of Payments
BPD	Busan Partnership Document
BS	Budget Support
BSHG	Budget Support Harmonization Group

BTPSP	Bangladesh Trade Policy Support Program
BUSAC	Business Sector Advocacy Challenge
CAADP	Comprehensive Africa Agriculture Development Programme
CAF	Development Bank of Latin America
CAM	Customs Administration Modernisation
CARICOM	Caribbean Community
CBSI	Central Bank of Solomon Islands
CEATA	Customs and Excise Administration Technical Assistance
CED	Customs and Excise Division
CEPS	Customs, Excise and Preventive Service
CEWG	Core Economic Working Group
CG	Consultative Group
CHC	Custom House, Chittagong
CIDA	Canadian International Development Agency
COCOBOD	Cocoa Board
CONPES	National Council on Economic and Social Policy
CPA	Chittagong Port Authority
CPAF	Common Performance Assessment Framework
CPS	Country Partnership Strategy
CPTFP	Chittagong Port Trade Facilitation Project
CPV	Communist Party of Vietnam
CRS	Creditor Reporting System (OECD)
CSO	Civil Society Organisation
CSP	Country Strategy Paper
CSPG	Cross Sectoral Planning Group
CSSSD	Comprehensive Strategy for Service Sector Development
CTeI	Science, Technology and Innovation
CTMS	Computerised Terminal Management System
DAC	Development Assistance Committee (OECD)
DAD	Development Assistance Database
DANE	National Department of Statistics of Colombia
DANIDA	Danish International Development Agency
DCCI	Dhaka Chamber of Commerce and Industry
DEDO	Duty Exemption and Drawback Office
DFID	Department for International Development (United Kingdom)

DP	Development Partner
DPAF	Development Partner Assessment Framework
DPCG	Development Partner Co-ordinating Group
DPCU	District Planning Co-ordinating Unit
DPPs	Development Project Proformas
DSI	Development Strategy Institute
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EC	European Commission
EDF	European Development Fund
EDPRS	Economic Development and Poverty Reduction Strategy
EFTA	European Free Trade Association
EIF	Enhanced Integrated Framework
EMBRAPA	Empresa Brasileira de Pesquisa Agropecuária
ENR	Environment and Natural Resources
EPA	Economic Partnership Agreement
EPB	Export Promotion Bureau (Ministry of Commerce, Bangladesh)
ERD	Economic Relations Division (Ministry of Finance, Bangladesh)
ERP	Economic Reforms Programme
ETAC	Excise, Tax and Customs
EU	European Union
EWB	Engineers Without Borders
FAGE	Federation of Associations of Ghanaian Exporters
FAO	Food and Agriculture Organization of the United Nations
FASDEP	Food and Agriculture Sector Development Programme
FC	Financial Co-operation
FCL	Full Container Load
FDI	Foreign Direct Investment
FFC	Fine Flavour Cocoa
FFYP	Fifth Five Year Plan
FTA	Free Trade Agreement
FtF	Feed the Future
GAP	Government Action Plan
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade

GCAP	Ghana Commercial Agriculture Project
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
GMS	Greater Mekong Subregion
GNI	Gross National Income
GoB	Government of Bangladesh
GoG	Government of Ghana
GoR	Government of Rwanda
GoV	Government of Viet Nam
GPRS I	Ghana Poverty Reduction Strategy
GPRS II	Growth and Poverty Reduction Strategy
GSGDA	Ghana Shared Growth and Development Agenda
GSO	General Statistics Office
GSP	Generalized System of Preferences
GSS	Ghana Statistical Service
GSSP	Ghana Strategic Support Programme
HCS	Hanoi Core Statement on Aid Effectiveness
HIPC	Heavily Indebted Poor Countries (debt reduction initiative)
IADB	Inter-American Development Bank
IATA	International Air Transport Association
ICFG	Integrated Coastal and Fisheries Governance
IC	Invested Capital
ICA	Colombian Agricultural Institute
ICSID	International Center for Settlement of Investment Disputes
ICT	Information and Communications Technology
IDA	International Development Association
IDA	International Development Agency
IDEC	Industrial Development and Export Council
IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFI	International Financial Institution
IFPRI	International Food Policy Research Institute
IGC	International Growth Centre
ILO	International Labour Organization

IMED	Implementation, Monitoring and Evaluation Division (Ministry of Planning, Bangladesh)
IMF	International Monetary Fund
Imihigo	Performance contract (between an institution and the President, Rwanda)
ISI	Import Substitution Industrialisation
ITC	International Trade Center
ITU	International Telecommunication Union
IWMI	International Water Management Institute
JCS	Joint Cooperation Strategy
JICA	Japan International Cooperation Agency
JIRCAS	Japan International Research Centre for Agricultural Science
JSR	Joint Sector Review
KfW	Kreditanstallt für Wiederaufbau
KPI	Key Performance Indicator
LCG	Local Consultative Group
LDC	Least Developed Country
LMDG	Like Minded Donor Group
LPI	Logistics Performance Index
M&E	Monitoring and Evaluation
MAP	Modernisation and Automation Project
MARD	Ministry of Agriculture and Rural Development
MCC	Millennium Challenge Corporation
MCCI	Metropolitan Chamber of Commerce and Industry
MCILI	Ministry of Commerce, Industry Labour and Immigration
MCIT	Ministry of Trade, Industry and Tourism
MDAs	Ministries, Departments and Agencies
MDBS	Multi Donor Budgetary Support
MDGs	Millennium Development Goals
MDPAC	Ministry of Development Planning and Aid Coordination
MERCOSUR	Mercado Común del Sur (Southern Cone Common Market)
METASIP	Medium-Term Agricultural Sector Investment Plan
METSS	Monitoring, Evaluation, and Technical Support Service
MFAET	Ministry of Foreign Affairs and External Trade
MfDR	Managing for Development Results
MIC	Middle Income Country

MINEAC	Ministry of the East African Community
MINECOFIN	Ministry of Finance and Economic Planning
MINICOM	Ministry of Industry and Commerce
MIS	Management Information System
MoA	Ministry of Agriculture
MOAP	Market Oriented Agricultural Programme
MoC	Ministry of Commerce
MOF	Ministry of Finance
MoFA	Ministry of Food and Agriculture
MoFEP	Ministry of Finance and Economic Planning
MoFT	Ministry of Finance and Treasury
MOIT	Ministry of Industry and Trade
MoS	Ministry of Shipping
MoTI	Ministry of Trade and Industry
MPI	Ministry of Planning and Investment
MSG-FTA	Melanesian Spearhead Group Free Trade Area
MSMEs	Micro, Small and Medium Enterprises
Mt	Metric tonnes
MTEF	Medium Term Expenditure Framework
MUTRAP	Multilateral Trade Assistance Project (EU)
NBR	National Board of Revenue (Ministry of Finance, Bangladesh)
NCIEC	National Committee for International Economic Cooperation
NDP	National Development Plan
NDPC	National Development Planning Commission
NDS	National Development Strategy 2011-2020
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NIU	National Implementation Unit
NPV	Net Present Value
NTB	Non-Tariff Barrier
NTE	Non-Traditional Export
OAV	Food and Veterinary Office
ODA	Official Development Assistance
OECD	Organisation for Economic Development and Co-operation
OECD STRI	OECD Services Trade Restrictiveness Index

OFID	OPEC Fund for International Development
ONAC	Colombian National Accreditation
OPEC	Organization of the Petroleum Exporting Countries
OSF	Five-year Strategic Frameworks for ODA Mobilisation and Utilisation
OVCF	Outgrower and Value Chain Fund
PACER	Pacific Agreement on Closer Economic Relations
PD	Paris Declaration on Aid Effectiveness
PEF	Private Enterprise Foundation
PICTA	Pacific Island Countries Trade Agreement
PIU	Project Implementation Unit
PM	Prime Minister
PMU	Project Management Unit
PP	Perspective Plan
PPMED	Policy Planning, Monitoring and Evaluation Division
PPP	Public Private Partnership
PPT	Program for Productive Transformation (acronym in Spanish)
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSD SWG	Private Sector Development Sector Working Group
PSI	Pre-Shipment Inspection
PTB	German Institute of Metrology
RAMSI	Regional Assistance Mission to Solomon Islands
RCC	Regional Co-ordinating Council
RDB	Rwanda Development Board
RHD	Roads and Highways Department
RIRA	Reforms in Revenue Administration
RKC	Revised Kyoto Convention
RPCU	Regional Planning Co-ordinating Unit
RSD	Regional Sector Department
RWF	Rwandan Franc
SAARC	South Asian Association for Regional Cooperation
SAFE	Secure and Facilitate Global Trade
SAP	Structural Adjustment Programme
SASEC	South Asia Sub-regional Economic Cooperation
SBV	State Bank of Viet Nam

SECO	Swiss Economic Development Cooperation
SEDP	Socio-Economic Development Plan
SEDS	Socio-Economic Development Strategy
SEZ	Special Economic Zone
SFYP	Sixth Five Year Plan
SIG	Solomon Islands Government
SINERGIA	Sistema Nacional de Evaluación de Gestión y Resultados
SIP	Strategic Issues Paper
SISCONPES	Monitoring System for CONPES Documents
SISDEVAL	Sistema Nacional de Evaluaciones
SISMEG	Government Targets Monitoring System
SMEs	Small and Medium-sized Enterprises
SNCI	System for International Co-operation
SOE	State-Owned Enterprise
SPIU	Single Project Implementation Unit
SPS	Sanitary and Phytosanitary
SSP	Sector Strategic Plan
STAR	Support for Trade Acceleration
SWAP	Sector Wide Approach
SWG	Sector Working Group
TA	Technical Assistance
TAPPs	Technical Assistance Project Proformas
TBT	Technical Barriers to Trade
TC	Technical Co-operation
TF	Trade Facilitation
TMCB	Trade Management Capacity Building
ToT	Training of Trainers
TRA	Trade-Related Assistance
TRIMS	Trade Related Investments Measures
TRIPS	Trade Related Intellectual Property Rights
TRTA	Trade-Related Technical Assistance
TTBD	Temporary Trade Barriers Database
UERIA	National Health Institute's Risk Evaluation Unit for Food Safety
UNECLAC	United Nations Economic Commission for Latin America and the Caribbean
UNESCAP	United Nations Economic and Social Commission for the Asia and

	Pacific
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
USDA	United States Department of Agriculture
USITC	United States International Trade Commission
VAT	Value Added Tax
VBF	Vietnam Business Forum
VDGs	Vietnamese Development Goals
VHT	Vapour Heat Treatment
VIETRADE	Viet Nam Trade Promotion Agency
VND	Vietnamese Dong
VPD	Viet Nam Partnership Document
VUP	Vision 2020 Umurenge Programme
WB	World Bank
WB-IDA	World Bank-International Development Association
WB STRI	World Bank Services Trade Restrictiveness Index
WCO	World Customs Organization
WDI	World Development Indicators
WEF GCI	World Economic Forum Global Competitiveness Index
WEF ETI	World Economic Forum Enabling Trade Index
WEF TTCI	World Economic Forum Travel and Competitiveness
WFP	World Food Programme
WGI	World Governance Indicators
WIOD	World Input-Output Database
WIPO	World Intellectual Property Organization
WITS	World Integrated Trade Solution
WTI	World Trade Indicators
WTO	World Trade Organization
WTTC	World Tourism and Travel Council

Executive Summary

The Aid-for-Trade Initiative has galvanised broad based engagement from the international donor community to help developing countries, and in particular the least developed, overcome the structural and capacity constraints that undermine their ability to maximise the benefits from trade opportunities. Successive Global Reviews of Aid for Trade have presented clear evidence that the Initiative has resulted in better integrating and prioritising trade in development strategies and in increasing aid commitments to tackle the bottlenecks that undermine the ability of local producers to access regional and global markets. At a time when aid budgets are under pressure, there is however a need to strengthen accountability and demonstrate better that the substantial resources mobilised are well spent and improve the livelihood of men and women in developing countries.

This study presents a tool to help design logical frameworks for results-based management of aid for trade. It is based on a menu of trade-related targets, as well as indicators to measure their performance. The tool addresses a simple question: What are donors and partner countries trying to achieve? Then it distinguishes three different levels of possible objectives (i.e. direct, intermediate and final). Trade is treated as an intermediate objective, serving as a transmission mechanism, with an increase in the value for trade (measured in terms of jobs, income, socio-economic upgrading, etc.) as the final objective. The tool is flexible enough to allow for the prioritisation of different projects objectives in accordance with the trade development strategies of partner country or donor. Beyond its monitoring and evaluation function, the tool allows for a better understanding of the complex trade related transaction mechanics and a better awareness of the aid-for-trade programmes to achieve such objectives.

The tool and the logical framework are based on the findings of six case studies that were undertaken by local consultants in Bangladesh, Colombia, Ghana, Rwanda, Solomon Islands and Vietnam. The six country case studies took up three questions: Have trade objectives been integrated into the development strategy and planning processes? Are indicators of aid for trade outcomes comprehensive in capturing results, and consistent with the desired impacts of improving growth and reducing poverty? Do the monitoring and evaluation systems provide policy makers with the feedback to take evidence-based decision about the implementation of the trade development strategy, including the role of aid-for-trade programmes?

The six cases studies provide a comprehensive overview of the challenges involved in introducing a tool for managing results in an agenda that covers a broad area of interventions that are aimed at building trade-related supply side capacities. All studies show that trade has been mainstreamed in national development strategies, although with different levels of detail and operationalisation. The case studies also find that national systems are in place to monitor progress towards development goals. In some cases and especially when the sector is evidently linked to trade, the monitoring and evaluation systems also include trade-related objectives and indicators to measure performance. The studies also show that a comprehensive monitoring system that covers several levels of government provides better feedback. Introducing such management systems more broadly requires considerable investments in human and institutional capacity building. This is especially the case at the local level where the concept of managing for results is not well understood. Once these investments have been made, these management systems do provide powerful tools to ensure that aid does contribute to meeting ambitious development objectives. As stressed in the Paris Declaration on Aid Effectiveness and outcome documents of subsequent high level meetings such as in Accra and Busan, the ultimate objective is to ensure that aid and other forms of development finance are fully integrated in national management schemes that ensure transparency and accountability.

All case studies show that that a greater focus on results should not lead to a proliferation of individual donors defining and measuring performance which is disconnected from local systems. On the contrary, the results frameworks should be based on country systems. Only such frameworks will allow for the tracking of progress and, at the same time, fulfil mutual accountability requirements. Such an approach will help advancing the aid effectiveness principles. More specifically, country-based approaches for managing aid to achieve trade and development results will increase transparency and objectivity of decision making, promote alignment of donors with partner country's trade-related objectives and targets, reduce parallel results reporting processes, increase mutual accountability and allow for country comparisons.

In particular, the case studies highlight the following lessons for the aid for trade community when introducing results frameworks:

- First, many partner countries have put in place mechanisms to monitor and evaluate the results of aid programmes and donors would do well to build on these systems rather than trying to invent new ones.
- Second, managing aid for trade and development results works best in countries where the political leaders work cohesively towards common objectives. This requires internal consensus on policy objectives and leadership through multiple levels of public administration.
- Third, a major reason why in some case study countries managing aid for trade and development results works well is that it adapts annually, learns from prior years' inadequacies and successes, and modifies the next year's programmes accordingly.
- Fourth, the framework should promote accountability through various levels of government – whether through the external reviews, the sector working groups, or the top-level political leadership. In any case, the accountability should involve a national dialogue with the stakeholders.
- Finally, the co-operation of donors in working with the government – through abiding by the division of labour, providing information to the relevant ministries on their projects, and participating in the sector working groups – contributes to a genuine partnership. Of particular importance is the willingness of donors to work within the framework of the Paris Principles on Aid Effectiveness.

Introduction

Increasingly, trade is a priority for many developing countries and is being mainstreamed in development strategies. However, assessing the impacts of trade-related interventions is difficult. Yet keeping track of results is needed to help making policy choices. This book aims to provide guidance in establishing management frameworks which can track the results of aid-for-trade interventions. The project responds to demands from developing countries for greater transparency and accountability about trade-related aid funded programmes. This not only promotes local ownership of externally-funded development programmes but will also lead to better identification and prioritisation of binding trade related constraints and appropriate sequencing of policies and aid-for-trade programmes. Too often evaluating the efforts of aid for trade has focused on donor interventions at the project level – this project is about putting a spotlight on countries' overall trade and development strategies and on how donors are supporting those strategies.

There is strong political demand to demonstrate the outcomes and impacts of aid for trade. This pressure has increased in light of the significant amount of aid that has been directed toward this area of development cooperation since the launch of the Aid-for-Trade Initiative in 2005. In response, the OECD Development Assistance Committee and Trade Committee have developed a menu of a limited set of indicators to measure the performance of aid-for-trade interventions towards quantifiable targets and objectives. This menu is based on the findings of six country case studies in Bangladesh, Colombia, Ghana, Vietnam, Rwanda and Solomon Islands.[1] The case studies were demand driven and the case study countries were intimately involved in conducting the studies which were undertaken by local consultants. Furthermore, donors present in the partner country were also closely involved from the start of the project.

The need for this kind of work has received strong support from WTO Members as highlighted in the concluding remarks of the Director-General of the WTO Pascal Lamy at the 3rd Global Aid for Trade Review when he stated that; "We must take monitoring and evaluation down to the country and regional level and redouble efforts with the OECD to develop a menu of meaningful performance indicators which partners and donors alike can use for planning and implementation."[2] Furthermore, the outcome document of the Busan Partnership for Effective Development Cooperation also emphasised the need for progress in this area when it concluded that: "(…) country-led and country-level results frameworks and platforms will be adopted as a common tool among all concerned actors to assess performance based on a manageable number of output and outcome indicators drawn from the development priorities and goals of the developing country. Providers of development cooperation will minimise their use of additional frameworks, refraining from requesting the introduction of performance indicators that are not consistent."[3]

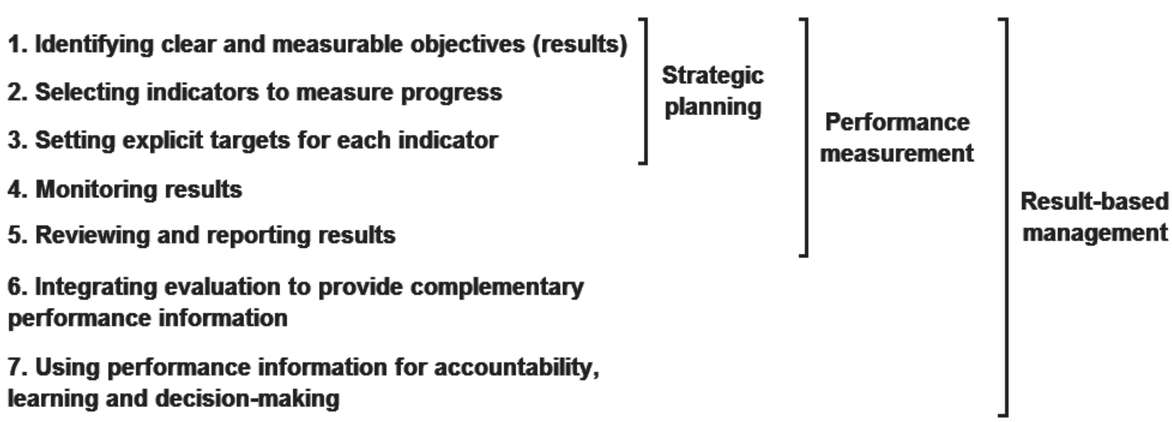
The study builds on the publication Strengthening Accountability in Aid for Trade (OECD, 2011), which notes that there are many different possible types of evaluations, with both qualitative and qu[4]antitative dimensions. Every evaluation involves trade-offs.

Approaches need to be robust enough to be meaningful, flexible enough to be suitable for local needs, and relatively straightforward to execute. The simplest type of comparison is an examination of an indicator to see how it has changed following an intervention. This single-difference comparison is the approach most commonly used. However, introducing this type of comparison in aid for trade would be extremely difficult, as there is no appropriate control group and interventions can have very different effects depending on their context.

Against this backdrop, bilateral and multilateral donors are increasingly 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 results chain from project inputs, to activities, outputs, outcomes and long-term impacts. The results chain provides a framework within which to monitor and measure the changes expected to result from donor programmes and projects. Key changes described in the results chain are translated into targets and associated indicators for tracking results – from project inputs, to activities, outputs, outcomes and long-term impacts.

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 evaluation approaches mostly focus on accountability, 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.

Figure 0.1 Seven phases of effective results-based management



Source: OECD, 2011.

Sound performance management requires: a focus on results at all phases of the development process (from strategic planning through implementation to completion and beyond); alignment of actual programming, monitoring and evaluation activities with the agreed expected results; keeping the results reporting system as simple, cost-effective and user-friendly as possible; managing for, not by, results through targeting resources to achieve outcomes; and, finally, using results information for management learning and decision-making, as well as for reporting and accountability. An effective results-based management system should include sound strategic planning and performance measurement, as reflected in the seven phases of implementation developed through the joint efforts of the OECD, the World Bank and donors (Figure 0.1).

The conclusions of the joint OECD/WTO Dialogue on Aid for Trade in Busan detailed the challenges ahead and stressed that aid would need to be managed better to achieve trade and development results in a manner that would strengthen aid effectiveness and contribute to the ongoing process of prioritising trade within the evolving aid dialogue. Thus, the purpose of the study is to provide the aid-for-trade community with good practices in designing and introducing results frameworks for aid-for-trade projects and programmes based on country defined quantifiable targets and a menu of limited number of indicators to measure performance (i.e. outcomes and impacts). The case studies have identified the targets and performance indicators used in the country and discussed the options to introduce or improve these measurement frameworks to strengthen transparency and mutual accountability.

The six case studies were selected among different regions and income groups covering all the main aid categories that are commonly associated with helping developing countries build their supply side capacities. The studies were conducted by local consultants in Bangladesh, Colombia, Ghana, Rwanda, Vietnam and the Solomon Islands. The studies addresses the main context specific conceptual, methodological and process issues related to the introduction or improvement of country-based aid for trade results frameworks which should allow for measuring progress (results) of aid-for-trade programmes and projects towards country-owned trade and development objectives and, at the same time, contribute to fulfilling their accountability requirements.

The six case studies take up the following three questions:

1. Has trade strategy been “mainstreamed” into the development strategy and planning processes?

2. Are indicators of aid for trade outcomes comprehensive in capturing results, and consistent with the desired impacts of improving income growth and reducing poverty?

3. Is the feedback provided to policy makers by monitoring and evaluation systems adequate to support them in making implementation changes?

In addition, the study has developed a logical framework for results-based management of aid for trade that includes a menu of trade-related targets or possible objectives for aid-for-trade projects, as well as indicators to measure their performance. The suggested framework should be seen as an evolving tool: practitioners could add new activities, targets and performance indicators to the existing menu. The framework is flexible enough to allow prioritisation of projects and objectives according to the aid and development strategies of each donor or recipient country.

Finally, task of identifying a menu of aid for trade targets and indicators has become even more complex in recent years. The desired outcomes for aid for trade have changed since the launch of the Initiative in 2005 and the creation of the Task Force in 2006; however, these changes do not yet seem to have been fully reflected in aid for trade monitoring and evaluation practice. It will be important to ensure that mechanisms to measure impact and results takes this into account.

Notes

1. For the full version of the case studies see:
   www.oecd.org/dac/aft/Bangladesh_Case_Study.pdf.
   www.oecd.org/dac/aft/ColombiaCaseStudy.pdf.
   www.oecd.org/dac/aft/Ghana_Case_Study.pdf.
   www.oecd.org/dac/aft/RwandaCaseStudy.pdf.
   www.oecd.org/dac/aft/SolomonIslandsCaseStudy.pdf.
   www.oecd.org/dac/aft/VietnamCaseStudy.pdf.

2. *www.wto.org/english/news_e/sppl_e/sppl201_e.htm*.

3. *www.aideffectiveness.org/busanhlf4/images/stories/hlf4/OUTCOME_DOCUMENT_-_FINAL_EN.pdf.*

Chapter 1

A results-based aid-for-trade management framework

This chapter starts with a simple question: What are donors and recipient countries trying to achieve? Then it distinguishes three different levels of possible objectives, which are qualified as direct, intermediate and final. Trade is treated as an intermediate objective, serving as a transmission mechanism, with an increase in the value for trade (measured in terms of jobs, income, socio-economic upgrading, etc.) as the final objective of aid projects. Performance indicators are then listed to help the evaluation of the objectives' achievements. The suggested framework should be seen as an evolving tool: practitioners could add new activities, targets and performance indicators to the existing menu. The framework is flexible enough to allow prioritisation of projects and objectives according to the aid and development strategies of each donor or recipient country. It is also meant to be an interactive tool and could easily be transformed into a user-friendly online database.

The task of identifying a menu of aid for trade targets and indicators has become even more complex in recent years. The desired outcomes for aid for trade have changed since the launch of the Initiative in 2005 and the creation of the Task Force in 2006; however, these changes do not yet seem to have been fully reflected in aid for trade monitoring and evaluation practice, and objectives assigned to aid for trade should be reviewed accordingly. In particular the growth of global value chains has increased the interconnectedness of economies and led to a growing specialisation in specific activities and stages in value chains rather than in entire industries.

DIRECT OBJECTIVES (COMPETITIVENESS AND OPENNESS)

Technical assistance for trade policy and regulations
- Suppression/reduction of obstacles to trade at the border
- Suppression/reduction of trade-distortive or discriminatory measures beyond the border
- Mainstreaming and promotion of trade, trade integration and investment

Economic infrastructure
- Improvement of the accessibility/connectivity of the market (telecoms and transport)
- Improvement of other domestic infrastructure and basic services

Productive capacity building
- Improvement of the legal/regulatory environment for business
- Improvement of the organisation and performance of markets
- Increase in productivity, production and innovation capacities

Trade-related adjustment
- Adjustment to tariff and price fluctuations
- Restructuring of industries/sectors facing a trade shock
- Provision of safety nets and training opportunities for workers affected by trade

Other forms of adjustment
- Facilitation of the movement of productive capacities
- Enforcement of trade-related rights and obligations
- Promotion of responsible business/investment principles and practices

INTERMEDIATE OBJECTIVES (TRADE AND INVESTMENT)
- Development of an open, rule-based, predictable and non-discriminatory trading system
- Increased competitiveness and attractiveness for foreign investment
- Increased exports/export market shares and foreign reserves
- Diversification of exports and imports
- Increased participation and consolidation of global value chains
- Reduction of trade costs and prices of imports/inputs
- Reallocation of production capacity to more competitive and higher value-added segments

FINAL OBJECTIVES
- Direct and indirect job creation
- Increased level and predictability of income
- Economic and social upgrading
- Diffusion of technology and knowledge
- Better and more sustainable use of resources

OUTCOMES

Introduction

This chapter presents the efforts that have been made to strengthen accountability in aid for trade, including through diverse attempts to develop a list of trade-related targets and performance indicators. It presents a results-based aid for trade management framework aimed at all development partners. It lists three levels of possible objectives for aid for trade projects, as well as a menu of activities and performance indicators for each objective. It also explains the methodology and rationale behind the selection of the trade-related targets, and presents the possible uses of and improvements to be made to this tool.

The international agenda

With a view to strengthening accountability and achieving improved results in aid for trade, in line with the *Paris Declaration* (2005) and the *Accra Agenda for Action* (2008), donors and development partners have stressed the need to establish a menu of trade-related targets and use performance indicators (OECD, 2011). The objective, in a context of budget stress faced by most donors, is to allow results-based management of aid-for-trade activities, to demonstrate that the substantial resources mobilised are well spent and have impact, and to find ways to further improve the quality and effectiveness of aid for trade (OECD, 2012b). The *Busan Partnership for Effective Development Cooperation* (2011) also stressed the need to adopt common results frameworks and platforms to assess aid performance, based on a manageable number of output and outcome indicators drawn from the development priorities and goals of the developing country. Finally, on the occasion of the third *Global Review of Aid for Trade* (2011), among others, members of the World Trade Organization (WTO) committed to improve the way the impact of aid for trade is monitored and evaluated.

A number of efforts have been made to move the aid for trade evaluation agenda forward. In its recent publication on *Strengthening Accountability in Aid for Trade*, the OECD provided a good, comprehensive overview of existing evaluation approaches, methods and processes (OECD, 2011). The OECD has also paved the way for the elaboration of a harmonised menu of trade-related indicators and the enforcement of a common results-based management system.

In addition, a number of attempts have been made in the literature to develop indicators for monitoring trade capacity, trade performance, and aid for trade results. The International Finance Corporation (IFC, The World Bank Group) *Doing Business Project* has played a major role in promoting the culture of results by monitoring selected indicators and benchmarking countries against each other. The OECD's trade facilitation indicators measure a country's trade facilitation capabilities that identify areas for action and enable the potential impact of reforms to be assessed. Estimates based on the indicators provide a basis for governments to prioritise trade facilitation actions and mobilise technical assistance and capacity building efforts for developing countries in a more targeted way.[1] In addition, *Doing Business* contains a *Trading Across Borders* indicators series that specifically measures a country's trade facilitation capabilities.[2] Other initiatives have followed, which attempt to provide a more or less comprehensive list of trade-related indicators, sometimes aggregated in synthetic indexes and country fact-sheets or global rankings. These have included the *World Trade Indicators* collected by the World Bank Institute, which contains a broad set (about 500 variables) of trade policy and outcome indicators for 211 countries and territories, and the World Economic Forum (WEF) *Global Competitiveness* and *Enabling Trade* indexes, which contain over

100 indicators (based on available statistics and on surveys) of relevance to trade, supply chain management, and competitiveness issues (see Annexes A and B). Some more specific indexes have also been developed, for example by the World Bank in the field of logistics (*Logistics Performance Index*, LPI).[3] Those efforts have been relayed by more specialised agencies that have long collected data in their field of competence which appear to be directly relevant to measuring trade performance. They include data on telecommunications collected by the International Telecommunication Union (*ITU World Communication/ICT Indicators Database*), data on air transport collected by the International Air Transport Association (IATA) and International Civil Aviation Organization (ICAO), and data on tourism collected by the World Travel and Tourism Council (*WTTC Travel and Tourism Satellite Accounts*).

To fulfil the international agenda on aid for trade monitoring and evaluation, the next logical step would be to match those indicators with aid for trade objectives. Gamberoni and Newfarmer (2009) made an attempt along these lines, but with another objective in mind: matching potential aid for trade demand and supply. The authors developed ten measures of trade performance and capacity (including trade-related infrastructure, institutions and incentives – which could have also been called “aid for trade objectives”) to assess potential demand for aid for trade, and then looked at country allocations of aid for trade to see which countries were receiving below average amounts of it relative to their potential demand (Table 1.1).

Table 1.1 Dimensions of aid for trade demand: Indicators and sources

DIMENSION	INDICATOR	SOURCE
Trade performance	Real growth of exports of goods and services	World Bank, World Trade Indicator
	Change in export market share of goods and services	World Bank, World Trade Indicator
	Competitiveness effect (change in market share)	International Trade Center, Trade Performance Indicators
	Demand effect (change in market share)	International Trade Center, Trade Performance Indicators
	Index of export concentration (Herfindhal)	World Bank, World Trade Indicator
	FDI Inflows (as % of GDP)	World Bank, World Trade Indicator
	Real growth in total trade (%)	World Bank, World Trade Indicator
	Number of products exported/imported	World Bank, World Trade Indicator
Capacity incentives	Trade restrictiveness Index (tariffs only)	World Bank, World Trade Indicator
	Share of tariff lines with domestic peaks	World Bank, World Trade Indicator
	Share of tariff lines with MFN-0 (%)	World Bank, World Trade Indicator
	Share of tariff lines bound (%)	World Bank, World Trade Indicator
	Tariff overhang (%)	World Bank, World Trade Indicator
	Applied tariff escalation	World Bank, World Trade Indicator
	GATS Commitments Index	World Bank, World Trade Indicator
Infrastructure	LPI Quality of Transport and IT	World Bank, LPI Indicators
	Number of internet users, mobile phone and fixed phone subscribers per 1 000 inhabitants	World Bank, World Development Indicators
	Percentage of paved roads, total km of rail lines, air transport freight costs to US	World Bank, World Development Indicators
	Quality of port and water infrastructure	WEF, Global Competitiveness Report
Institutions	Efficiency of customs	World Bank, LPI Indicators
	Time to export/import	World Bank, Doing Business database
	Ease and affordability of arranging international shipments	World Bank, LPI Indicators
	Domestic logistics costs	World Bank, LPI Indicators
	Timeliness of shipments in reaching destination	World Bank, LPI Indicators
	Trading Across Borders (rank 1-178, worst)	World Bank, Doing Business database

Source: Gamberoni and Newfarmer (2009).

Elliott (2007) did not use the more recent trade indicators, but took a significant step by matching indicators with the outputs and outcomes of donor support aimed at addressing supply-side constraints (Table 1.2).

Table 1.2 Indicators for assessing the impact of aid for trade aimed at supply-side constraints

Achievement of immediate project goals	Impact on intermediate objectives		Impact on ultimate goals
	Measures of trade costs, competitiveness	Measures of trade and investment flows	
• km of roads built, maintained • increases in sea, airport capacity • increases in access to landlines, cell phones, internet • access to credit • reduction in power outages • access to cold storage, especially in rural areas • increased compliance with SPS, other international standards • rationalisation, harmonisation of regulations related to trade, transit in regional trade agreements, especially involving landlocked countries, e.g. common axle loads (appropriate for road capacity) and vehicle dimensions for trucks, rail gauge, operator licenses, etc. so loads do not have to be transferred at borders	• reduction in number of forms required to import, export • reduction in days for goods to clear customs • reduction in trade taxes, especially on key technologies, other inputs • reduction in internal transit time to market, port, or end user • reduction in total time to get goods to destination • reduction in share of output not reaching market due to delivery delays • competition measured by market shares of top 5, 10 firms providing logistics, transportation services • reduction in transportation costs – changes in CIF/FOB factor as proxy if direct costs unavailable • size of inventories held • effects of aid on exchange rate	• increased capacity in sectors producing tradable goods or services • increased value-added in tradable goods, services sectors • increased firm-level productivity • change in global export shares – total and in key sectors • diversification of exports – share of top 5 products in total exports • increased private investment (foreign or domestic) in and around infrastructure projects and in productive sectors receiving assistance	• higher employment levels in tradable goods or services sectors • increased numbers of subsistence farmers engaging in market activities (local or export if the result of aid-for-trade assistance to raise productivity, build roads, other activities where spillovers could occur) • lower shares in economic activity, employment for informal sector • higher shares for SMEs in formal sector • higher and sustained growth following increases in trade • higher overall employment if growth stimulated • reduction in poverty rates

Source: Elliott (2007).

A synthesis of these different efforts has not been made, however. Suggested management frameworks have remained narrow in scope, focusing on projects (project-level evaluation) or specific types of constraints. Often the focus has also been on the identification of quantitative indicators, which cannot measure the performance of a number of aid-for-trade projects: qualitative indicators should be used equally (e.g. to assess the impact of technical assistance on regulatory reforms). Similarly, surveys and information provided by the actors of trade and development (particularly civil society organisations and private sector firms operating in developing countries) have often been neglected: a proper evaluation of aid for trade projects will often rely on information provided by those engaged in trade, suggesting a need for further multi-stakeholder co-operation in the collection of relevant data. Finally, no one has drawn the consequences of the recent quick and fundamental changes in trade patterns and paradigms that should lead to rethinking aid for trade objectives and performance indicators.

Building a new set of trade-related targets

The following aims to provide development partners (donors and recipient countries, as well as other actors such as civil society organisations and private companies) with a logical framework for results-based management of aid for trade. It identifies a set of trade-related targets or possible objectives for aid for trade projects, and lists a number of indicators to measure performance.

For whom and for what purpose?

Beyond the objectives of the development community set out in Section 1.1 (e.g. donor co-ordination, impact assessment, benchmarking and cross-country comparison, results-based management), the suggested results-oriented management framework aims to facilitate the tasks of two specific actors:

Recipient countries

Ownership is the basis of successful aid. The suggested framework puts the recipient country's objectives at the core of aid for trade projects and the measurement of their results. It is built around a simple question: *What is the country trying to achieve?* By listing a number of possible objectives, it allows the recipient country to more easily understand the complex mechanics of trade (Box 1.1), to be aware of the tools aid for trade has to offer in order to achieve such objectives, and ultimately to mainstream trade in its development programmes. It also distinguishes between short-, medium- and long-term objectives to allow for proper management of expectations regarding results.

Donors, and project leaders in particular

By listing the objectives that could be assigned to aid-for-trade projects, and the indicators that could help measure the impact of projects, the suggested framework considerably facilitates the tasks of donors and their project leaders. Up front, the project leader can assess whether a project is trade-related (even if it might initially have been qualified otherwise) and whether the information that would allow impact assessment is available. Right at the beginning of the project, the project leader could fill in the project's logical framework with baseline indicators against which the project's results will be ultimately measured. However, the starting point will always remain the objectives jointly set by the development partners, not the performance indicators.

Starting with the objective, not the measure of the objective

It is important to establish a manageable number of trade-related indicators to avoid confusion and allow the co-ordination, comparison and benchmarking of aid projects

(OECD, 2011). However, indicators should not become the drivers of the aid for trade agenda.

Showing results is an imperative not only for donors, but also for recipient countries. Governments are looking for "quick wins" and results that can be easily communicated to the public at large. Ministers, within governments, are under pressure to show the importance of their role and take actions to maintain their budget and position. As a result, following the emergence of a number of synthetic indicators of performance, governments have sometimes put greater emphasis on measuring an objective than on the objective itself. For example, a common request is to "move up in the Doing Business rankings": this means playing with a small number of indicators that affect the overall ranking. A minister of transport could also be explicitly asked by her prime minister "to move up in the Logistics Performance Index (LPI) rankings". Setting government priorities according to such targets could contribute to missing some of a country's specific needs: some more urgent reforms could be needed that are not captured by the synthetic indicators. Moreover, rankings are relative: a country can improve its performance but still regress in regard to rankings if other countries have achieved faster results for their reforms.

Synthetic indicators and rankings are good drivers of political will and reforms. Nonetheless, in order to avoid the above-described biases, the suggested framework puts the objectives first, not the measures of these objectives.

Trade is an intermediate objective

The main issue raised by literature on aid for trade evaluation is that of attribution (OECD, 2011). Aid for trade, and trade policy at large, are often perceived as aiming solely at an increase in exports and trade flows generally. However, it is difficult to show the link between a given aid for trade project and changes in trade flows, and even more difficult to show the link between trade, growth and poverty reduction. Indeed, many factors influence trade, and an aid for trade project could be successful at the same time as an exogenous shock causes the country's terms of trade to deteriorate; even more factors influence growth and poverty reduction.

The suggested framework presents trade as an intermediate objective of aid for trade. It is a link in a chain of results. It is also a transmission mechanism that will allow the creation of better and better remunerated jobs, the diffusion of new technologies, etc –. Trade is not the objective *per se*, it is one link in a causal chain targeting development more generally. In this respect, OECD work has clearly shown that while trade is an essential component of sustainable economic growth, complementary policies are also needed in order to realise full benefits. OECD analysis points to policy areas that appear likely to play an important role in realising "dynamic gains from trade". These include: removal of barriers to entrepreneurship and competition; promotion of science, technology, education and R&D; and regulation and other measures to ensure adequate availability of factors of production (capital and labour).[4]

Three levels of objectives and possible outcomes

If trade is an intermediate objective, the aid for trade management framework could include several levels of objectives and performance indicators. This approach is dictated, more broadly, by the attribution issue: it is unlikely that one project alone will have a significant – if any – impact that is observable at the balance of payments level. This does not mean, however, that the project would not have been successful. For example, it is enough to show that a training session or other form of technical assistance has prompted a significant change in government practice to claim success; making the link with trade flows, growth and poverty reduction would be too far-reaching. Nonetheless, the results-oriented management framework should allow for both individual and collective evaluations since the combination and synergies of multiple aid-for-trade projects is more likely to have broader macroeconomic effects. Mapping all the projects and measuring their individual and collective impacts could help improve the efficiency of aid for trade.

The suggested framework could be assimilated as a chain of results: it distinguishes three levels of objectives and possible outcomes/impacts for aid for trade that are qualified as “direct”, “intermediate” and “final”, using the terminology of, for example, the Japan International Cooperation Agency (JICA, 2005). Using broader terminology, “direct” and “intermediate” objectives are so-called “outcomes”, and “final” objectives are so-called “impacts”. The suggested framework does not deal with the so-called “output” level since outputs are usually easy to identify and project-specific. For example, in the case of a technical assistance seminar the output is the seminar itself; the difficulty arises when one tries to measure the impact of the seminar, i.e. identify outcomes. This repartition of objectives according to levels could also reflect the timing of the anticipated results in the short, medium and long terms. Each project individually, and aid for trade as a whole, could be examined through this prism.

Box 1.1 The mechanics of aid for trade as a engine for growth

The engine (direct outcomes)

Aid for trade is a toolbox: it consists in a number of tools that are available to aid-recipient countries (or any country) in need of building or improving the performance of their trade engine. Each tool has a specific purpose and can help with the assembly of a specific part of the engine. Depending on the country's situation, the engine might need more or less tuning. It is unlikely that one can build an engine with a single tool, as trade is mechanically complex. Countries have to identify their needs (with help from local actors, including the private sector and the international community, e.g. DTIS). Performance could already be tested at this level, in the same way an engine is tested after assembly and before it is attached to the body of the car.

The transmission (intermediate outcomes)

It is not enough to have an engine: you need a transmission mechanism to make the car run. Trade is a transmission mechanism. Here again, depending on the country, this transmission mechanism could be altered in different ways, or a different type of transmission might be needed. Different intermediate objectives could be assigned to trade policies depending on the situation of the country. Typically, landlocked countries will try to improve their connectivity to foreign markets (direct) in order to reduce their trade costs and the price of inputs (intermediate); fragile states will need to improve their business climate, lock in reforms through international commitments, and restore the trust of investors (intermediate) to achieve greater political stability (and vice versa) (final); oil-producing countries will need to diversify their economy and attract investors in non-oil sectors (intermediate); countries at the bottom of the value chain will need to upgrade (final) through participation in more mature global value chains and the reallocation of their production capacities (intermediate). It is possible to develop a typology of intermediate objectives and outcomes on the basis of broad country categories. However, countries' individual situations remain different, and country ownership should incite the donor community to refrain from dictating objectives to countries based on the needs of a pre-defined category.

Efficiency (final outcomes)

Ultimately, what matters is the car's performance. Depending on the type of engine and transmission, different rates of efficiency are attained. Efficiency does not necessarily depend on the size of the engine or transmission. The value for trade measures the efficiency of the trade car.

Level 1: Direct objectives/outcomes (competitiveness and openness)

The first level of the suggested framework assigns possible objectives/outcomes to aid for trade projects. It directly answers the question *"What are you trying to achieve?"* and provides a guide for recipient countries and donors to the reforms needed or tools available to manage openness and increase competitiveness. These are tentatively classified according to the Aid for Trade Task Force activity categories.

These objectives are presented in Box 1.2. This list is supplemented in Annex A by a list of possible reforms/projects that would target those objectives. For example, the objective to suppress/reduce obstacles to trade at the border could be achieved through suppression of quotas, reduction of tariffs, or simplification of customs procedures.

Box 1.2 Direct objectives/outcomes (competitiveness and openness)

Technical assistance for trade policy and regulations

- Suppression/reduction of obstacles to trade at the border
- Suppression/reduction of trade-distortive or discriminatory measures beyond the border
- Mainstreaming and promotion of trade, trade integration and investment

Economic infrastructure

- Improvement of the accessibility/connectivity of the market (telecoms and transport)
- Improvement of other domestic infrastructure and basic services

Productive-capacity building

- Improvement of the legal/regulatory environment for business
- Improvement of the organization and performance of markets
- Increase in productivity, production and innovation capacities

Trade-related adjustment

- Adjustment to tariff and price fluctuations
- Restructuration of industries/sectors facing a trade shock
- Provision of safety nets and training opportunities for workers affected by trade

Other forms of adjustment

- Facilitation of the movement of productive capacities
- Enforcement of trade-related rights and obligations
- Promotion of responsible business/investment principles and practices

The suggested trade-related indicators measure the level of achievement of projects' objectives. The success of aid for trade projects could thus be measured independently of the achievement of intermediate or final outcomes. For example, if a training course leads to a significant change in the recipient country's trade policy (e.g. adoption of new rules or practices) it could be considered as successful, without trying to find a causal link between this training course and changes in trade flows or poverty reduction. Of course, some projects will also have intermediate and final outcomes (e.g. opening of a services sector to competition), but these outcomes might be the sum of smaller projects with direct outcomes only, which might meet intermediate and final targets. Thus, the suggested framework allows for the evaluation of individual projects, as well as for the sum of aid for trade projects of a specific donor or group of donors.

Level 2: Intermediate objectives/outcomes (trade and investment)

Actions at the first level of the framework aim to address trade fundamentals. In turn, once those actions have been performed, one would expect trade and investment flows to grow, helping the country to take the next step towards growth and development. Level 2 of the suggested framework deals with this next/intermediate step or link in the results chain (Box 1.3).

Box 1.3 Intermediate objectives/outcomes (trade and investment)

- Development of an open, rule-based, predictable and non-discriminatory trading system
- Increased competitiveness and attractiveness for foreign investment
- Increased exports/export market shares and foreign reserves
- Diversification of exports and imports
- Increased participation and consolidation of global value chains
- Reduction of trade costs and prices of imports/inputs
- Reallocation of production capacities to more competitive and higher value-added segments

The suggested framework acknowledges that trade integration can take several forms: countries' intermediate trade objectives can vary according to their specific production factors or natural resource endowments, geographical situation, political environment, etc. Nonetheless, it is worth noting the universality of some targets: for example, the "*further development of an open, rule-based, predictable and non-discriminatory trading system*" is a target of the eighth Millennium Development Goal (MDG) ("*Develop a global partnership for development*") and is monitored in this context. Some groups of countries might have similar needs, as suggested in Box 1.1 above.

This list of intermediate outcomes and indicators reflects the most recent evolutions of trade patterns, referring to participation in global value chains, trade in tasks, intermediate goods and services, and value-added. Thus, it is not all about increasing exports. A country can achieve several intermediate objectives simultaneously, or in a row, for example when increased participation in global value chains first translates into an increase in imports, followed by an increase in exports or positioning in a higher value-added segment of production.

Level 3: Final objectives/outcomes or impacts

The third level of the suggested framework corresponds to the last link in the results chain (Box 1.4). It does not focus on trade per se, which remains an intermediate objective in the broader goal of overall development. . The question posed is whether as a result of implementation of the aid for trade project the recipient country is "better off" afterwards? This assessment will need to be contextualised by the broader prevailing policy settings, including the application of complementary policies.[5]

Box 1.4 Final objectives/outcomes or impacts

- Direct and indirect job creations
- Increased level and predictability of income
- Economic and social upgrading
- Diffusion of technology and knowledge
- Better and more sustainable use of resources

Success at this level is probably hardest to measure, although recent efforts with the private sector have shown good prospects for better monitoring and evaluation of final outcomes of aid for trade projects (World Bank, 2011). For example, private companies can provide information about job creation, wages, training and knowledge or technology transfers, environmental practices and productivity levels in their establishments in developing countries. Here again, the challenge is one of attribution: are those investments (and results) the outcome of specific trade reforms, or would the company have entered the market and invested anyway? Job creation and activities related to trade (direct, indirect and induced) are often difficult to measure, and the precision of the information will depend on the type of aid for trade activity. In sectors like tourism or basic services (access to sewerage, water, telecommunications, Internet, electricity, roads, etc.), the link with socio-economic upgrading is sometime easier to establish. The prevalence of foreign companies in certain sectors also allows better identification of final outcomes (e.g. the attribution of a phone license to a foreign company and its impact on the country's coverage, the carbon footprint of industries in which foreign firms prevail, or the level of wages in regions dependent on certain activities like mining).

On the occasion of the Third Global Review of Aid for Trade in 2011, the OECD (jointly with the WTO and the World Bank) collected for the first time a series of case stories emanating from the private sector.[6] These collection efforts have been augmented by additional case stories on food/agriculture in the context of the G20/B20 with the assistance of the WEF. These case stories provide important information on the impact of trade through foreign establishments and the operation of global value chains that have not been exploited in the context of aid for trade evaluation. Against this background, the aim of the 2013 monitoring and evaluation exercise for the Fourth Global Review is to survey how aid for trade is supporting private sector development activities in developing countries, particularly in the least developed countries (LDCs), in the context of expanding global and regional value chains (WTO, 2012).

The choice of performance indicators

Once the objectives and potential outcomes of aid for trade are clearly defined, the next step is to identify trade-related indicators that could help measure the degree of success of projects. In other terms, once the initial question "*What are you trying to achieve?*" has been answered and the project implemented, the next question becomes "*Have you successfully achieved it*?"

The suggested framework presents a number of indicators that could serve this evaluation purpose. It aims "to establish a menu of indicators, although not a definitive or comprehensive one … reasonably representative of the essential characteristics of aid for trade per activity sector, as defined by the Aid for Trade Task Force … [that] would also be subject to improvement over time as the knowledge base improves" (OECD, 2011, p. 92). It is an evolving tool that could be amended by all the development actors, in the public as well as the private spheres.

One benefit of this menu is that while the list of indicators is lengthy, recipient countries and donors are channelled through this "maze" or "cloud" with a limited number of indicators corresponding to each objective assigned to aid for trade projects. Had the measure of the objective prevailed in the methodology, this selectivity would not have been possible.

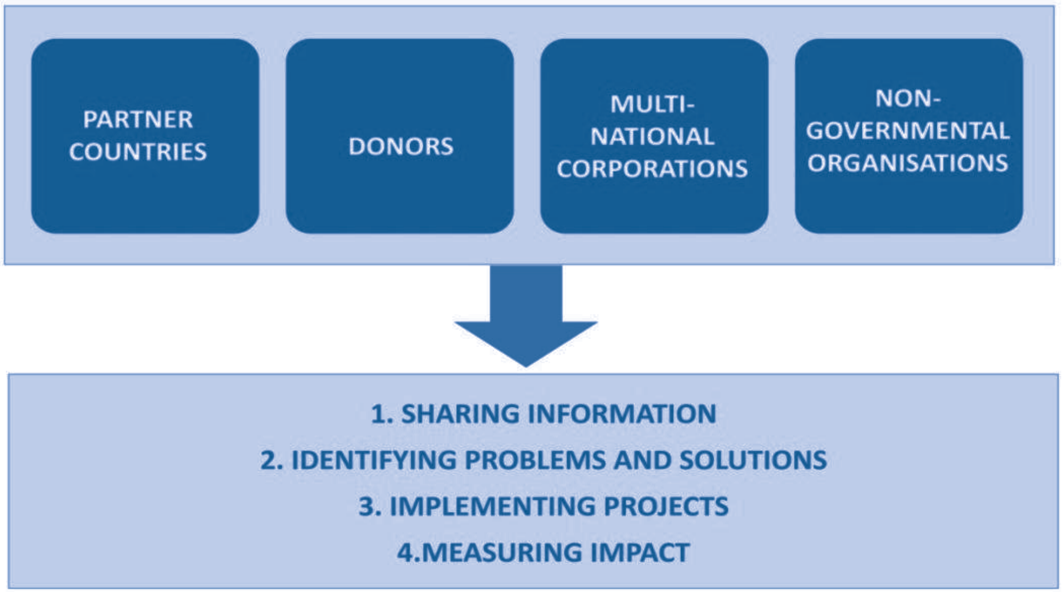
This menu does not create a new set of trade-related indicators. It raises awareness, and uses and organises existing indicators that have lacked visibility among donors and recipient countries, absent the link between the objectives of the projects and their monitoring/evaluation. Every manager of an aid project should know what her project is trying to achieve; however, she is not necessarily aware of the multiplicity of trade databases and trade-related indicators that exist beyond balance of payments statistics. With a view to avoid any duplication of efforts, this menu relies on existing trade-related indicators compilation efforts made by the donor community, as well as specialised agencies and the private sector.

In particular, it makes reference to the World Bank *World Trade Indicators* (WTI) and the World Economic Forum (WEF) *Global Competitiveness Index*, both of which provide a fairly detailed list of trade-related indicators and reflect the views of both donors and the private sector on what matters in trade. These two lists compile information collected by other entities and therefore sometimes overlap. The WTI is a subset of the World Bank *World Development Indicators.* It is a reliable open source of data that is more comprehensive and includes all relevant information – the potential WTI discontinuity consequently does not affect the availability of information; the WEF *Trade Enabling Index* also partially overlaps with the *Global Competitiveness Index* and could be used as a more targeted source of indicators from the WEF. They are supplemented by indicators published by other specialised agencies and could be amended over time, in particular to include sector-specific indicators (e.g. for telecommunications, transport, logistics, tourism).

The suggested menu of objectives and indicators was designed to capture most dimensions of aid for trade and its direct (as well as indirect) effects. It attempts to include quantitative as well as qualitative indicators, as the outcome of some activities (typically training) is hardly measurable. It should be noted that some sectors already have fairly detailed information and data on direct and indirect effects of trade,

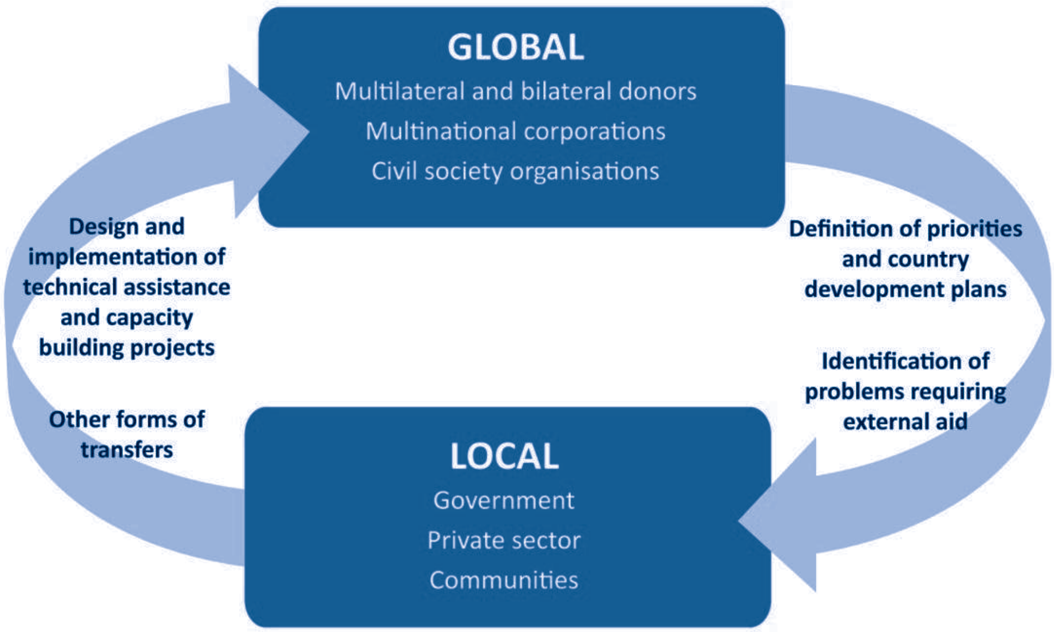
Along with the above remarks on the role of the private sector in the monitoring and evaluation of aid for trade, close co-operation between the different development partners (recipient countries, donors, the private sector, civil society) will be necessary to measure the impact and level of success of aid for trade projects more precisely. For example, the Logistics Performance Index (LPI) is a compilation of information providers by freight-forwarders and professionals in the logistics/transport sector: only private firms can precisely measure the effect of a project/reform on their trade costs, the reliability of the transactions, etc. The suggested multi-stakeholder approach for results-based management is summarised in Figure 1.1.

Figure 1.1 Towards multi-stakeholder results-based management



All these objectives should be pursued with due regard to the priorities set by the recipient country or region in its development programmes (e.g. poverty reduction strategy papers – PRSPs, or country agricultural development plans – CADPs – in the field of agriculture). Donors, the private sector and NGOs should co-operate with local governments and actors, particularly small businesses and communities, to assist their development plans and respond to their needs. It is important that local business is involved, as it will be the recipient of most transfers and an essential link in global value chains. This does not exclude, however, active participation and assistance by international public or private actors in the elaboration of these development plans, providing the benefits of comparative experience (Figure 1.2).

Figure 1.2 Country ownership and multi-stakeholder dialogue



What this new framework could, and could not, help achieve

Methodology: how to use the framework and for what purpose?

The results-based management framework aims (1) to help development partners identify aid for trade activities and objectives for achieving greater value for trade, and (2) to measure the impact of aid for trade projects that have been implemented.

The starting point of the analysis could be either the choice of the direct outcome (or objective) or the choice of the activity (aid for trade project or output). For example, if the objective is to improve SPS standards, and the aid for trade project consists in drafting a law and creating a certification agency:

Level 1 – Direct objectives/outcomes

Objective: **Improving the legal/regulatory/business environment**

- SPS standards, i.e. certification of food products

Performance indicators:

- Changes in legal/regulatory framework, i.e. new law on certification of food products (output), secondary laws/regulations
- Changes in practice (including in court and other administrative enforcement mechanisms), i.e. introduction of sanitary controls, sanctions (e.g. evolution of the number of controls, value of the seized merchandise,

amount of sanctions)/upgrading of standards in food industry (% of products certified)

– Changes in institutions, i.e. new certification agency (output), enforcement bodies (court, inspectors)

– International agreements pertaining to the recognition of domestic standards, certifications, etc., i.e. accreditation of certification agency by international body

Level 2 – Intermediate objectives/outcomes

Objective 1: **Increasing competitiveness and attractiveness for foreign investment**

Performance indicators

– FDI inflows and outflows in the food sector (and ancillary sectors such as distribution)

Objective 2: **Increasing exports and export market shares**

Performance indicators

– Real/nominal growth in trade in the food sector (exports and imports)

– Shares and growth in shares of world trade in the food sector

Objective 3: **Diversifying exports and imports**

Performance indicators

– Product and market diversification – number of food products exported/imported, share of top five food products and markets for food products, export/import product concentration index

– Trade composition – share of food products in exports and imports

Objective 4: **Increasing trade integration and participation in global value chains**

Performance indicators

– Trade in intermediate goods and services in the food sector

– Intra-firm trade

– Input-output/value-added of the food sector

– MNCs investment and establishment in the food sector

Objective 5: **Reallocating productive capacities to higher value-added activities**

Performance indicators

- Level and share of production and employment in the (tradable) food sector
- Employment in high value-added production segments of the food sector (and ancillary services)

Level 3 – Final objectives/outcomes or impacts

- **Direct and indirect job creation**, including for women, youth, and other targeted groups (e.g. smallholder farmers, SMEs) in the food and ancillary sectors involved in trade or benefiting from foreign investment
- **Higher and more predictable income**, including for women, youth, and other targeted groups in the food and ancillary sectors involved in trade or benefitting from foreign investment
- **Economic and social upgrading**: improvement of hygiene standards, upgrading in the food sector and ancillary services (higher value-added activities, higher qualifications required, etc.)
- **Diffusion of technology**, knowledge, know-how, capital and others in the food and ancillary sectors
- **Better and more sustainable use of resources in the food sector**

Not all objectives will be achieved, nor will data be available to measure results for each objective, but the framework provides a good picture of the range of possible objectives for the selected activity. Looking at all activities together, the framework helps provide an overall picture of aid for trade activities, trade-related objectives, and their achievement over a pre-defined period.

What could this results-based management framework help achieve?

While the suggested framework is an evaluation tool, it could also help as early as the conception stage of aid for trade projects.

For the recipient country the framework could help in designing holistic trade strategies, and mainstreaming trade in growth and development programmes, by providing a list of objectives that trade policy and aid for trade could help achieve. Starting with a specific objective, the country could identify relevant types of actions and aid for trade projects supporting the necessary reforms. Starting with a specific activity or reform, the country could identify a number of objectives to achieve. The country could also use the full list of trade-related targets to design a more comprehensive trade strategy. Finally, the list of final outcomes and the focus on the value for trade should help make a stronger case for trade in government strategies.

For the donor (or task manager) the framework could help in assigning specific objectives to a given activity, and provide at the inception stage of the project an indication of the kind of data or evidence that will be needed at the evaluation stage. With a list of possible targets for specific activities or objectives, the task manager could more easily fill in logical frameworks and other project documents. Indeed, most of the time task managers are not aware of all a project's possible intermediate or final outcomes, and even less aware of all existing indicators and databases available to set targets for their project.

The framework reveals the diversity of objectives and possible outcomes/impacts assigned to aid for trade projects: it is not only about reducing traditional barriers to trade, nor about boosting exports. All the reforms affecting a country's competitiveness or attractiveness for investors could have trade effects. These include reforms affecting security, governance and corruption, health, education, etc. For the first time, a results-based management framework also reflects recent changes in the trade paradigm, including the role of global value chains and value for trade rather than the trade value. The framework could help the census/monitoring of aid for trade activities and mainstreaming of trade in aid projects (by revealing the trade dimension of projects led by non-trade specialists). This would also help solve one of the main problems faced by evaluators: the absence of a clear link with trade objectives.

Beyond the evaluation of single projects, the framework should help countries assess the overall impact of their aid for trade activities. The list of indicators could, more broadly, help the governments measure their trade performance (e.g. competitiveness, connectivity, attractiveness, value for trade), pointing, where needed, to gaps in statistics and data on trade. Indeed, much of the framework concerns synergies and the combined effects of individual activities. The framework should help to map a country's efforts according to the type of activity, the assigned objectives, and the direct/intermediate/final outcomes. The same could be done for the donors' community as a whole. In addition, it could help:

- identify the concentration of donors' efforts on specific types of activities or outcomes;
- identify complementarities of activities to achieve specific results;
- identify links between specific activities and direct/intermediate/final outcomes;
- measure the overall impact of aid for trade projects, either globally or by recipient country.[7]

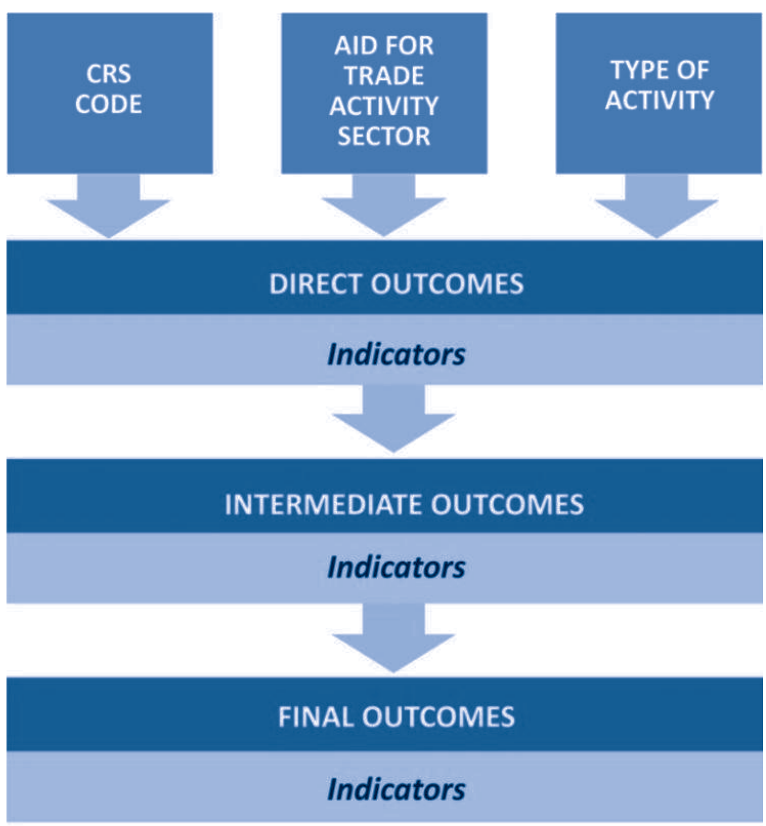
Using and improving the aid for trade results-based management framework

As already mentioned, this framework should be seen as an evolving tool: practitioners could add new activities and targets to the existing menu. The framework could play the role of a repertory of ideas for aid for trade project management. However, the objective is not to have a cloud of indicators: synthetic indicators, when they exist, should be used as a priority. The menu of indicators could also help in developing new synthetic indicators that would in turn contribute to the simplification of the framework. Harmonisation beyond the point reached in this framework (i.e. harmonisation of the list of trade-related targets or outcomes) might not even be desirable. "*Harmonisation of indicators among development partners is neither feasible nor desirable given the differences in operational needs and strategic priorities*" (OECD, 2011, p. 91).

In other words, the suggested framework is a tool to help donors and recipient countries design their trade and development strategies. Each donor and each recipient country will have to define its own priorities. The framework is most helpful in that it provides, for given activities, a likely chain of results; conversely, for a given desired outcome or impact, it suggests a number of activities likely to contribute to that outcome or impact. Donor and recipient countries can then more easily identify their priorities and articulate their actions with other projects of their own or their partners. The framework also helps provide an overview of donor and recipient countries' programmes, identify overlaps, synergies, gaps, etc., and therefore contribute to donors' co-ordination. For example, one donor or recipient country might be mostly interested in creating jobs for women and youth (final outcome); the question thus becomes how trade and investment can contribute to that final outcome (i.e. what industries or tasks need a boost with respect to exports, competitiveness, FDI – intermediate outcome); and ultimately, what specific trade constraints those sectors face that need to be addressed (direct outcomes). The harmonised framework should help avoid the biases described in the recent meta-evaluation of aid for trade projects, i.e. an absence of trade-related objectives or results in aid for trade projects.

Computer technology should also be used to make the framework user-friendly. The first step is to create an interactive tool that allows the user to select different variables in drop-down menus: after selecting a certain activity or objective, the user would be offered a limited list of possible outcomes and performance indicators from which to choose (Figure 1.3). Links to suggested databases or indicators might be provided. The electronic interactive tool could also allow choosing a specific country or region, and limit the choice of indicators to those for which data are available in that country or region. Similarly, the menu could be tailored to specific sectors. It could also contain CRS codes and other elements that facilitate reporting or analysis.

Figure 1.3 Example of template for the interactive tool



This tool might also be used to increase the co-ordination of donors, development actors (including civil society) and the private sector. For example, a donor could ask the private companies that benefit from an aid for trade project to provide evidence or data on the impact of the project. By scrolling down through the menus, the company could identify the information it has available and is willing to share (e.g. reduction of transit time or trade costs as a result of customs reform, reduction of production costs as a result of a new infrastructure, job creation as a result of the opening of the market to foreign establishment).

Conclusions

The framework presented in this study is a first step towards a harmonised menu of possible objectives/outcomes/impacts and performance indicators for aid for trade. However, using the terminology of the UN MDGs, although the goals (and indicators) have been identified, they have not been assigned specific quantifiable targets or dates for achieving those targets. The framework leaves it up to project managers to set specific quantifiable targets and timelines for individual projects.

While the framework is based on a chain of results, it does not fully solve the question of attribution. For example, the improvement of food safety standards could coincide with a growth in food exports, but not necessarily be the main cause of it. Thus, uncertainty remains as to the measurement of success. Nonetheless, the breakdown of possible outcomes in three different levels helps attribute results to specific projects or combination of projects.

Finally, this framework is focused on results (outcomes) and largely ignores the process of aid for trade projects. This choice was deliberate and in line with the recommendations of the donor community. However, it should be noted that the way aid for trade is dispensed could directly affect the outcome of a project. For example, the use of local resources for training or research, the use of local consultants or construction companies for infrastructure projects, etc. directly generate exports and jobs. Procurement rules, among others, are an essential element that determines success in aid for trade, as in the case of any other form of aid.

Notes

1. OECD Trade Policy Papers no. 118, 2011 and 144, 2013.
2. See *www.doingbusiness.org.*
3. See *www.worldbank.org/lpi*.
4. See for example, OECD (2012) Policy Priorities for International Trade and Jobs, (ed.) D Lippoldt; Love, P and R, Lattimore (2009) International Trade: Free, Fair and Open, OECD Insights, OECD Publishing.
5. International Trade: Free, Fair and Open, OECD Insights 2009.
6. Available at: *www.oecd.org/aidfortrade/casestories.htm*.
7. See Annex B for tentative graphic presentations of those analyses.

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Chapter 2

Managing aid for trade and development results in Solomon Islands

The Solomon Islands is at the beginning of developing a trade policy. The National Development Strategy 2011-2020 (NDS) prioritises increasing growth and equity. Trade-related activities are included in the strategy although details about how to alleviate supply-side constraints are missing. The government is preparing a monitoring and evaluation framework and seeking better donor co-ordination and alignment with the government's objectives and priorities. Systems to monitor outcomes and to integrate development partner activities into implementation and monitoring are therefore at an early stage. However, there are other sector models in the country for setting and tracking objectives and aligning donor support. These could also offer a way forward for trade and aid for trade. Apart from putting in place a trade policy with measurable outcomes, other basic requirements are defining clear roles and responsibilities among the government agencies carrying out different parts of the trade agenda, and an institutional structure for the co-ordination of trade policy implementation. Further down the road, the country also needs a means of carrying out a structured dialogue with development partners about progress in trade policy implementation and how additional aid, or different emphases within existing aid, might be beneficial.

Solomon Islands is at the beginning of developing a trade policy and directing the efforts of development partners. It receives high levels of aid overall, but nominally low amounts of aid for trade. Solomon Islands is a small Least Developed Country, the poorest in the Pacific region. Growth has been rapid since 2003, but it has been based principally on the extraction of logs. There is an urgent need to diversify export earnings, to improve the supply side in order to take advantage of market access, and to pursue internal reforms.

In the National Development Strategy 2011-2020 (NDS) increasing growth and equity is a central theme, and improving the environment for private sector-led growth is an important element. Activities with trade dimensions are included in the strategy, but do not represent a comprehensive and measurable set of plans to address supply side constraints. The government is preparing a monitoring and evaluation framework for the NDS and seeking better donor co-ordination and alignment with the government's objectives and priorities. Systems to monitor outcomes at a national level and to integrate development partner activities into implementation and monitoring are therefore at an early stage of development. However, there are other models in the country, based on sectors or themes, for setting and tracking objectives and binding development partner support to nationally owned outcomes, which may offer a way forward for trade and aid for trade.

A Diagnostic Trade Integration Study (DTIS) was carried out for Solomon Islands in 2009. The government has accepted its recommendations, and action is being taken on a number of them. But the 80 recommendations do not in themselves form an operable policy. Developing a trade policy framework is an acknowledged priority. However, trade development efforts currently remain fragmented among different agencies. Development partners finance some activities, such as customs reform, which have trade-related elements, but none of the partners considers itself to have an aid for trade portfolio and none is being challenged to measure the benefits of its activities for trade.

Apart from putting in place a trade policy with measurable outcomes, other basic requirements are clear roles and responsibilities among the government agencies carrying out different parts of the trade agenda, and an institutional structure for the co-ordination of trade policy implementation. Further down the road, the country also needs a means of carrying out a structured dialogue with development partners about progress in trade policy and how additional aid, or different emphases within existing aid, might be beneficial. As a result of considering these issues the Ministry of Foreign Affairs and External Trade (MFAET), as the co-ordinating agency for trade policy, has determined that while a trade policy is under preparation it will start by initiating an evidence-based discussion among stakeholders based on data on some key trade-related measures.

Introduction

Compared with some of the other countries covered by the case studies, Solomon Islands is at the very beginning of managing aid for trade effectively. This study provided an opportunity for learning more than an analysis of experience. The process involved an external consultant working with the country's Ministry of Foreign Affairs and External Trade (MFAET) to identify the government's and development partners' concepts of trade and of aid for trade in the context of Solomon Islands, and then working backwards to a practical starting point for further progress, namely development of a simple results matrix that would be a basis for stakeholder discussion of key trade-related issues, which does not currently occur; and subsequent better informed dialogue with development partners about gaps and how external support could help to fill them.

Solomon Islands is a small Least Developed Country (LDC) whose population is around 600 000. With a GDP per capita of USD 1 030 (2010), it is the poorest country in the Pacific region. Around three-quarters of the population depend on agriculture. Growth has been rapid from a low base in 2003, following a prolonged period of civil unrest and violence known as the Tensions. This period was brought to an end through the intervention of the Regional Assistance Mission to Solomon Islands (RAMSI). However, growth has principally been based on extraction of logs, which accounted for 46% of exports in 2011 (other major contributors were minerals 16%, fish 11% and palm oil 10%). The country faces a significant challenge in diversifying the economy away from logging, in particular by building up alternative mineral or agricultural exports. Analysis by the World Bank suggests that no single sector will make up for the loss of growth and revenue as forestry resources are exhausted (World Bank, 2009).

Solomon Islands is a member of the Melanesian Spearhead Group Free Trade Area (MSG-FTA), the Pacific Island Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER). It is also a member of the World Trade Organization (WTO). It is active in negotiations with the European Union for an Economic Partnership Agreement (EPA) and in discussions on a follow-up to PACER, known as PACER Plus.

The main destinations for Solomon Islands' exports are East and South East Asia, particularly China. Non-oil imports come mainly from Australia. Despite market access arrangements, there are relatively few exports to Australia, New Zealand and the EU. A Diagnostic Trade Integration Study (DTIS) carried out in 2009 (Gay, 2009) notes that Solomon Islands, like many other LDCs and Pacific island economies, has considerable market access to both developed and developing economies. The key challenge is to develop the supply side to take advantage of this market access. Among the central recommendations of that study and the 2009 WTO trade policy review of Solomon Islands (WTO, 2009) were the need to improve the country's capacity for trade and economic policy formulation and implementation, to pursue micro-economic reforms, especially reforms of state owned enterprises, and to align taxation and regulation of investment and production more closely with the multilateral trading system. Around one-third of domestically generated revenue comes from customs and excise duties, so that trade policy is intimately bound up with public financing requirements, a situation which further complicates the development of an effective trade regime.

Solomon Islands depends on aid to finance its current account deficit and development needs. Following the RAMSI intervention in 2003, the country has received substantial external assistance for reconstruction and development, including for transport infrastructure. Aid receipts are about 25% of GDP, making Solomon Islands the most aid-dependent of the larger Pacific Island countries.[1] Much of the aid received in the last nine years has been concentrated on restoring basic state functions, social provision and infrastructure; relatively little, apart from some analytical work, has been devoted to helping the country prepare for future challenges such as pursuing growth through trade. Solomon Islands is among the lowest ten recipients of aid for trade in the world, as recorded in official aid statistics (an average share of around 8% of aid identifiable by sector in 2006-10[2]).

As with many other small states, human resource capacity in Solomon Islands is extremely low. There are eight staff dealing with external trade, of whom three are in the

National Implementation Unit for the Enhanced Integrated Framework (EIF) project. Two of the eight staff are expatriate advisers. Co-ordination mechanisms for issues which cross ministry lines within the Solomon Islands Government (SIG) typically require regular momentum from senior levels, which is not always available. The DTIS noted that lack of co-ordination and analytical capacity in the country had led to trade policy not being used as a tool for development.

Trade and development objectives[3] and measurement

The aim of the SIG is to ensure that resource revenues and continued growth contribute to improving the quality of life of all Solomon Islanders in the next ten years. The country's development objectives are set out in the National Development Strategy 2011-20 (NDS). In accordance with SIG policy, they are centred on:

- employment and income earning opportunities;
- increasing household production and food security;
- improved national and rural infrastructure and connectivity;
- health, education, and the advancement of women and youth;
- the business environment;
- increased productivity in mining, agriculture, fisheries, forestry and tourism;
- climate change and disaster management; and
- improved governance.

There are trade-related elements throughout the NDS, notably in areas dealing with small business development, transport, and ICT infrastructure. But the objective which covers business and trade policy is NDS objective No 5**:** *to increase economic growth and equitably distribute employment and income benefits.*

Within this broad objective, measures to improve the environment for private sector-led growth include removing regulatory obstacles to investment and business activity and a "trade policy focused on increased sustainable trade in goods and services by addressing supply-side constraints and taking advantage of opportunities in existing bilateral, regional and multilateral trade and economic agreements." Although trade is stated to be the core of growth, the trade-related actions listed in the Strategy – preparation of a trade policy, pursuit of international trade agreements, mainstreaming of trade considerations in national and sector policies, improved statistics and legislation, and diplomatic outreach – are typically activities for an external trade *department* but do not yet amount to a comprehensive and measurable set of plans to address supply side constraints. These constraints are addressed, to some extent, commodity by commodity in productive sector strategies. However, trade policy for important export products is dealt with as an extension of production rather than in the context of national trade priorities, making it more difficult to identify cross-cutting priorities for strengthening the supply side and synergies between the requirements of different products.

Previous attempts at national-level planning have suffered from a lack of systems within SIG for monitoring, evaluation and reporting.[4] Moreover, while many development partners generate monitoring and evaluation information, SIG does not necessarily participate in the process or, consequently, own the results or have the ability to demand information enabling SIG to manage towards its own objectives. To address these problems, two related initiatives are planned by the Ministry of Development Planning and Aid Coordination (MDPAC):

A monitoring and evaluation framework for the National Development Strategy

A draft, which is in circulation for consultation, aims to deal with the shortage and unreliability of domestically generated data due to reliance on indicators that are measured by international data or a public survey carried out by RAMSI. It is outcomes-based, but the time lag between changes in policy or public sector inputs and changes in international data sets will be significant;

Renewed engagement with the management and monitoring of partner programmes

The NDS identifies the need for better donor co-ordination and alignment with the government's objectives and priorities, consistent with international commitments. It is recognised that this will require strengthening of capacity in MDPAC and line ministries to influence designs, implementation and monitoring.

In respect of measuring results from aid for trade within nationally owned monitoring systems, the following conclusions can be drawn:

- Comprehensive arrangements for monitoring national outcomes are at very early stages of planning.
- Even if this were not the case, there is currently no coherent trade theme within the NDS that could be measured as part of national outcomes.
- Assessing the effectiveness of aid is seen as very much the business of government, not just development partners; but it is recognised that there is little capacity either centrally or in line ministries to do this.
- Assessing the additionality of aid over government efforts is problematic in Solomon Islands, where aid provides 80% of development expenditure. To the extent that the country can afford to invest in monitoring and evaluation, it is pragmatic to focus first on the results of total public expenditure, including aid, rather than attempt straight away to identify the results from aid.

Other means of measuring results and exercising mutual accountability have, however, emerged within different parts of SIG. For example, Australia and other development partners have worked with the Ministry of Health to develop information systems that track specific outcomes of drug availability, distance from health services, bed net coverage, and facilities with safe water and access to specialist maternal and child health services. The results are used in regular discussions about the management by SIG and development partners of development programmes. A further example is the Core Economic Working Group (CEWG) covering economic and financial management issues. This is possibly of more interest to staff managing trade policy because, like trade, it is multi-sectoral in coverage.

The CEWG was created in 2009 to co-ordinate development partner support for Solomon Islands in the aftermath of the global financial crisis. It brings together SIG and representatives of the World Bank, the Asian Development Bank (ADB), the European Union (EU), Australia and New Zealand, and RAMSI. The CEWG introduced initiatives to deal with immediate economic and financial problems and has subsequently served as a forum for sequenced financial management and microeconomic reforms, which are captured in a policy matrix of SIG commitments. Progress against policies triggers performance payments from a number of development partners. The assessment of government and development partners is that the group has increased the predictability and flexibility of development partner funding and enabled development partners to align more closely with government priorities; and that it has promoted an honest and open dialogue. The key elements have been agreement on the urgent necessity of reform and on priorities for action, and strong political backing from SIG (the CEWG is chaired by the Finance Minister).

Development partner programmes

Solomon Islands' significant development partners fall into four main groups:

1. RAMSI, which operates under a partnership with SIG that is separate from the partnerships with contributing countries. RAMSI has been a significant development partner in its own right, channelling funds for the stabilisation and reform of law and justice, economic and public financial management, and the machinery of government. The non-policing elements financed by Australia will soon transition to the Australian bilateral programme;

2. development partners such as Australia, New Zealand and the EU, which provide programmatic investment in specific sectors and flexible performance-based aid. Australia and New Zealand both operate target-based partnerships with Solomon Islands for their main sectors;

3. partners whose support is mainly based on discrete capital projects (Japan and Chinese Taipei) and specific technical assistance; and

4. multilateral agencies (ADB, World Bank, UN system) providing policy advice and technical assistance in their areas of expertise and, in the case of ADB, substantial grant investment in transport infrastructure.

In principle, all development partners align their programmes with the current national development strategy. However, the potential for SIG-led sector programmes to bind development partners to common results and aid delivery methods depends on how long sectoral relationships have been in place. Genuine alignment with SIG priorities is variable. Nevertheless, development partners would welcome greater direction from the government in respect of emerging policies.

A number of activities supported by development partners have direct or indirect trade implications. Apart from transport infrastructure, these include technical assistance for: tax reform in general and reform of the mining tax regime in particular; customs modernisation; reform of state-owned enterprises; reducing the costs of business inputs;

increasing access to financial services; and meeting processing and phytosanitary standards in Australia and New Zealand for horticultural and agricultural products. However, all these activities have different origins and policy emphases, and none has been designed as a response to a prioritised set of Solomon Islands-led actions in pursuit of trade targets.

No development partner has a trade specialist in its resident office, and none sees itself as having an aid for trade stream in its programme. Indeed, it comes as a surprise to some development partners to be told that their activities have a trade dimension.

The Enhanced Integrated Framework

As noted above, Solomon Islands has benefited from a range of analysis of the context and priorities for trade policy in the country. In October 2012, following early support from the Enhanced Integrated Framework (EIF) to prepare the Diagnostic Trade Integration Study (DTIS) and set up institutional arrangements to implement it, a full-fledged Tier 1 project was approved by the EIF Board to strengthen the National Implementation Unit (NIU) for the EIF (including in monitoring and evaluation). The objectives are:

- to enhance capacities to formulate, manage, implement and monitor trade-related technical assistance and aid for trade in support of country's trade development agenda;

- to support SIG in trade mainstreaming (e.g. into national development strategies);

- to strengthen public-private consultation mechanisms (regular dialogue on contemporary economic and trade issues); and

- periodic review/stock-taking and updating of DTIS and support for its implementation.

Even with increased capacity, there will be a limit to what the NIU can do, given the very broad set of issues identified for action in the DTIS and the difficulties of co-ordinating across government. Its influence will need to come from the quality of its analysis and communication, rather than its ability to direct change. Hence it is important to find simple mechanisms that will help the NIU and MFAET, more widely, to begin to build interest around a consistent set of trade issues. The remainder of this report focuses on what is possible in this respect in the Solomon Islands context.

Building blocks for managing for development results in trade

It is clear that Solomon Islands still needs to put in place a number of building blocks that would allow an analysis of how well the country is doing in developing trade and, further down the road, how effective aid is in supporting that progress. These are, at a minimum:

A national trade policy

Solomon Islands has accepted the recommendations of the 2009 DTIS, and action is being taken on a number of them. But the 80 recommendations do not in themselves form an operable policy. Without progress on the other building blocks, updating the DTIS risks being a multiplicity of policy prescriptions without the fundamentals to implement them. Solomon Islands has the nucleus of a trade policy in its agreed positions on regional trade talks. Building on these to develop a policy framework is an acknowledged priority. Support is available from the Pacific Islands Forum Secretariat.

Clear roles and responsibilities

There is diffused responsibility for trade within SIG. MFAET leads on external trade, but important decisions about the domestic investment and trading climate are made by the Ministry of Commerce, Industry, Labour and Immigration (MCILI) and Ministry of Finance and Treasury (MoFT) while development partner support is managed by the Ministry of Development Planning and Aid Coordination (MDPAC). Productive sectors and infrastructure have their own ministries. In the absence of clear institutional arrangements, incentives for participation in co-ordination discussions vary and responsibilities are often a matter for repeated negotiation.

An institutional structure for the co-ordination of trade policy

Solomon Islands has a National Steering Committee for the EIF, which has met to discuss priorities for external support, particularly from the EIF itself. However, it does not currently have a mandate to discuss trade policy more generally or to track the progress of aid for trade. Nor is there a forum in which trade issues are regularly discussed with the private sector. There is a prospect of change, with proposals having been prepared, subject to Cabinet approval, to transform the Committee into a National Trade Development Council (NTDC). National co-ordination takes place to prepare Solomon Islands positions for international trade negotiations, but it could be more frequent, take place on the basis of better understanding by stakeholders, and be more inclusive.

A basic means of tracking progress

While accepting that the results of trade policy are complex and need to be tracked at different levels, it is important to begin at the simplest level. The policy imperatives for trade in Solomon Islands currently revolve around achieving greater volumes of primary commodity exports and, to some extent, higher levels of tourism. The focus of interest is on understanding what returns are immediately available from government action. Using the typology set out in the OECD paper *Managing Aid to Achieve Trade and Development Results: An Analysis of Trade-related Targets* (OECD, 2013), Solomon Islands is at present primarily concerned with results at the level of direct outcomes (competitiveness and openness). Ideally, the results tracked should be derived from the national trade policy, but equally they can be drawn in the interim from a process of building consensus about what the important factors to track are.

A means of structured dialogue with development partners

There is currently no forum in which trade-related results can be shared with development partners. One option would be to integrate trade policy commitments into the policy matrix for the CEWG. That agenda is already crowded, however, and it may be better to start a separate, more informal but still evidence-based dialogue on the effectiveness of trade development efforts and the opportunities for aid for trade.

Towards a national results framework for trade

There are conceptual constraints on a national results framework for trade, in addition to the institutional constraints listed above. Trade is not a "bounded" problem for which inputs are necessary and sufficient to bring about outcomes. On the contrary, trade outcomes (at the level of trade volume, trade diversification, and the impact of trade on human development) arise from a complex interplay of external and domestic factors over which governments have variable degrees of control. Governments of small states like Solomon Islands have severe capacity constraints, even by the standards of larger countries in the same income group, and their ability to influence the factors affecting trade outcomes is particularly limited. Therefore, they face the question: If we have to match the co-ordination and implementation of trade policy to our capacity to influence outcomes, and so our trade policy is deliberately partial at this stage, how do we prioritise activities for inclusion? The same question applies to maintaining a results framework: If we cannot measure everything, where do we start?

Solomon Islands hopes to benefit from the experience of other countries included in the current set of country studies in establishing indicators at levels appropriate to the monitoring and analytical capacity of small states. In the meantime, MFAET has concluded that the best way to use the concepts and momentum from the study is to develop a simple results matrix for trade outcomes *as a starting point* for unifying consideration of trade issues across government. As part of following up on the study, the concept of the matrix and its draft content were discussed at a stakeholder workshop in Honiara. The matrix and the further work to be carried out on it represent the main follow-up to this country study.

Next steps

Complete the matrix.

MFAET will continue consultations with ministries and the private sector, including agencies not represented at the workshop, to narrow down and complete the matrix. Consultations may reveal that proposed indicators are difficult to measure, or that there are better indicators available. Negotiations will need to be undertaken with possible providers of information on the frequency and level of detail of information to be provided. The result will be circulated to those consulted. The matrix will not be a finished product. For one thing, if the national policy framework comes up with a different set of indicators, attention will need to pass to these indicators. Moreover, it is likely that the process of discussing results will itself lead to expansion and modification. One important potential ally not yet brought into the process is the National Department of Statistics.

Create space for policy discussion.

MFAET has discussed with members of the National Steering Committee of the EIF a widening of its terms of reference to become the oversight body for trade co-ordination in the country. The terms of reference will include ownership of the results matrix and discussions based on the results. This will require Cabinet approval.

Continue discussions with MDPAC.

In principle, it is important that as a national monitoring framework emerges, trade considerations are captured, and the implications of progress or lack of it in key areas related to trade are set out for policy makers. There are no trade-related outcomes in the current MDPAC draft of the monitoring framework for the NDS. Discussions on this issue have been initiated between MFAET and MDPAC. However, as the NDS monitoring arrangements are currently designed, they do not call for integration of sectoral monitoring frameworks at the national level and leave considerable space for determination of sectoral objectives and monitoring mechanisms. It may be more realistic to accept that the national and sectoral processes are different, are aimed at different audiences, and can be allowed to evolve to a certain extent independently.

Create a forum for dialogue with development partners.

MFAET will consider arrangements to extend the life of the reference group for the current case study to form a forum for discussing with development partners the state of support for trade development efforts.[5] Possible subjects for future consultations include the development of a national trade policy framework.

Develop a national trade policy.

As noted above, this is in MFAET's work programme. The Pacific Islands Forum Secretariat was fortunately able to participate in the workshop, and will provide continuity of support for the ministry.

Conclusions

Solomon Islands is *still in the process of determining its trade priorities*. It is not yet in a position to give a strong lead to development partners on its requirements for support for trade development, or to provide a conceptual framework for the trade-related activities currently in place. There is therefore no aid for trade "portfolio" recognised by SIG or development partners on the ground. Solomon Islands is also in the process of setting up performance measurement systems that will allow SIG to make judgements about the effectiveness of aid, but these are not yet in place.

Putting the spotlight on aid for trade, in terms of measuring the results or trying to build up volumes, is a low priority for Solomon Islands at present, and may be a distraction from the more basic choices that SIG, with the support of its development partners, needs to make about the direction it wants to take in developing trade.

The immediate priority is to provide *a more structured basis for consideration of trade policy and implementation* than exists at present. A simple evidence base to underpin such consideration is one starting point, which is within the control of MFAET as the co-ordinating ministry. In these circumstances it matters less what is in the trade results matrix, as long as it forms an acceptable starting point for stakeholders, than that an attempt is made to collect the evidence base and structure dialogue around it.

There is every likelihood that as the main source of export revenue dries up, the political profile of trade will increase. Once a trade policy framework is in place and the results matrix is adapted to it, *more coherent discussions can take place with development partners* about priorities for support, and the policy and its results framework can be used as the context for the design and monitoring of development partner inputs. This approach is not new in Solomon Islands. It is already being used in some sectors, and for wider economic policy through the CEWG.

Additional resources for the NIU provide an *opportunity for MFAET to exercise greater leadership within SIG* and other stakeholders through improving communications, disseminating information including results from tracking the matrix, and maintaining contacts with development partners.

Notes

1. The ratio has fallen since 2006, when at 61% it was one of the highest in the world (IMF, 2011).
2. Given the high proportion of aid expenditure on transport infrastructure, this figure may be understated.
3. The term "trade development" has been used in this report to cover the range of issues Solomon Islands is addressing related to trade, including trade facilitation, investment and increasing productivity.
4. See, for example, the National Development Strategy, section 9.2: "A recognised weakness of previous plans has been the lack of any effective Monitoring and Evaluation" (Government of Solomon Islands, 2011).
5. The Joint Government-Donors Round Table on Aid for Trade is included in the EIF Tier 1 project activities, so the reference group for the current case study will be transformed into the forum to discuss trade development agenda/issues.

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Chapter 3

Managing aid for trade and development results in Bangladesh

The case study of Bangladesh focuses on trade facilitation, which is an area of increasing priority in the broader aid-for-trade agenda. The study provides a template for an aid-for-trade facilitation results framework, an assessment of the human and institutional capacity required to implement such a framework, and suggestions on how to introduce it in a manner that promotes mutual accountability between the executing agencies and donors active in Bangladesh. In assessing four trade facilitation projects in Bangladesh, the study finds that some performance indicators were used, although they were mainly selected by the donors. Furthermore, the indicators were not closely related to programme outcomes and impacts. Thus, the study argues that the trade-related results framework needs to be more broad-based and also include trade facilitation specific indicators, such as those developed, amongst others, by multilateral organisations. Finally, the study suggests that the recommended trade facilitation results-based framework not only is useful for Bangladesh, but also for trade facilitation projects in other developing countries with similar levels of trade and logistics capacity.

In Bangladesh all types of aid and assistance are received through the Economic Relations Division (ERD) of the Ministry of Finance. But in the absence of a separate classification for AfT, the ERD does not have accurate information on the actual flow of AfT nor does it have any clear framework to measure its effectiveness. The study examines the performance of various trade facilitation projects undertaken in Bangladesh under AfT/trade-related technical assistance (TRTA) since the late 1990s. It also aims to identify the indicators developed and used by those projects to measure their performance in terms of outputs, outcomes and impacts. Trade facilitation projects have some results-based performance evaluation indicators which, however, are mainly formulated by the donors and follow the financial agreements and logical frames. While there is some understanding among the implementing agencies and donors concerning outputs and impacts, there is less in terms of outcomes. This may be the chief reason for the inability to measure results effectively. In-country resources and expertise are also insufficient to evaluate such projects on the basis of results or performance.

The study demonstrates that the existing indicators used jointly by the implementing agencies and donors to monitor performance do not have the necessary ability to effectively showcase both results and the lack thereof. The results framework needs to be more broad-based, so as to encompass developments required in all aspects of global trade facilitation agenda. Therefore, in addition to the existing indicators used in the interventions in Bangladesh, the AfT results framework may need to incorporate some of the trade facilitation-specific indicators used in international forums.

Accordingly, this study outlines such a broad-based intervention logic in the area of trade facilitation. Using objective criteria, these indicators are grouped into impact, outcome and output categories. The results-based framework or menu of indicators that this study has attempted to develop for AfT interventions in the area of trade facilitation is important in the sense that it is, on the one hand, a country-generated framework providing a useful guide to the relevant agencies in the country and, on the other, a valuable insight into the country's needs and priorities for donors/development partners. It is also important in terms of generalisability for at least two reasons. First, this Bangladeshi menu of indicators would be useful in similar projects in other developing countries and LDCs with a similar level of trade and logistics capacity. Second, it would serve as a good starting point for future initiatives to develop similar frameworks in other areas of AfT interventions.

Introduction

The Bangladesh case study will examine various aspects of AfT interventions made in the country and the current status of such interventions. In that way, it will try to identify and/or develop a set of AfT-specific indicators to measure the results or performance of such interventions, mainly in the area of trade facilitation. It will do so by addressing the main context-specific conceptual, methodological and process issues related to the introduction or improvement of country-based aid for trade results frameworks in Bangladesh. The scope of this study lies within the area of trade facilitation. It reviews a number of projects, both ongoing and concluded, that concentrate on trade facilitation in Bangladesh.

Preparation of the study progressed through the following activities:

(i) Desk review

A desk review of existing research, information and literature relating to various AfT interventions in Bangladesh was undertaken. It looked at: the country's overall trade and development context; existing national policy documents (Sixth Five Year Plan, Perspective Plan, trade policy, etc.); trade-related issues, including various AfT projects on trade facilitation and other trade issues; existing mechanisms for monitoring aid flows and assessing impacts; and analyses of data on AfT flows (commitment and disbursements) obtained from national and international literature and databases.

(ii) Stakeholder consultation

The study also drew on interviews with key stakeholders. The stakeholders in the case of AfT projects and programmes included: the in-country reference group, comprising the Ministry of Commerce (MoC), National Board of Revenue (NBR), Economic Relations Division (ERD), Implementation, Monitoring and Evaluation Division (IMED) and Ministry of Finance (MoF);[1] donors; and non-state actors such as the private sector, business bodies and academic think-tanks.

(iii) Review of four major AfT projects in the area of trade facilitation

The study extensively reviewed four important trade-related projects undertaken in Bangladesh (including three concluded projects of the NBR):

1. the Customs Administration Modernisation Project-1 (CAM-1), financed by the International Development Agency (IDA);

2. the Modernisation and Automation Project (MAP), financed by the World Bank (WB);

3. the Chittagong Port Trade Facilitation Project (CPTFP), financed by the Asian Development Bank (ADB); and

4. the Bangladesh Trade Policy Support Program (BTPSP), an ongoing project of the MoC financed by the European Union (EU).

The reminder of the chapter is structured as follows: Section 2 provides an overview of aid for trade in Bangladesh, including the flow of AfT, the government's trade and development strategies, and the evolution of Bangladesh's trade policies and their performance. Section 3 highlights various programmes and projects undertaken in Bangladesh in the area of trade facilitation, with a special focus on the performance of four important trade-related projects that have components relating to issues of trade facilitation. Section 4 describes the extent to which the country uses a results-based framework in the area of trade facilitation. Section 5 summarises the main findings of the study and provide major recommendations on building a country-specific AfT-related results framework or a menu of indicators in the area of trade facilitation.

An overview of aid for trade

Like other developing and least developed countries, Bangladesh vigorously pursued an Import Substitution Industrialization (ISI) strategy after it achieved independence in 1971. All the major industries were nationalised. Domestic industries were given excessive protection through the imposition of high customs duties on imported products and the creation of numerous non-tariff barriers to imports by means of prohibitions and restrictions. However, the shortcomings of such a strategy rapidly became evident as the country's economy struggled and export growth stagnated due to inefficient allocation of economic resources in the absence of free-market mechanisms. Hence, the country has gradually moved since the mid-1980s towards a strategy of outward-oriented export-led growth. This has been accompanied by efforts aimed at liberalising trade. The dominance of liberal economists in economic policy planning within the government, the recognition of the growing force of the globalisation process, and an intense desire to catch up with those developing countries, such as the Asian Tiger economies, that have demonstrated superior performance by achieving spectacular growth influenced Bangladeshi policy planners to pursue such export-led growth strategies.

Bangladesh, like other developing countries, has historically depended on import tariffs as the principal source of internal revenue collection. Although revenue collected at the import stage is still the highest among various sources of government revenues, the country has initiated far-reaching reforms of its tariff structure over the last 15 years. In order to keep up with the pace of worldwide liberalisation of tariff structures following successful conclusion of the Uruguay Round of Trade Negotiations in 1994 and the emergence of World Trade Organization in January 1995, Bangladesh has gradually reduced its import tariffs. While the highest customs duty slab has been lowered from 50% (in 1994) to 25% (as of today), the number of slabs has also been reduced from more than ten in 1994 to three (7%, 12% and 25%) since 2008-09, with 212 items subject to 0% duty since 2007-08. On the other hand, there is no customs duty on the exportation of any goods except unmanufactured tobacco, cotton waste and building bricks.

During the early 1990s Bangladesh's trade policy represented the highest protection level in South Asia, creating a significant anti-export bias and acting as a barrier to its export competitiveness. However, the policy of gradual tariff reductions has changed the scenario over the last decade or so. The unweighted total protection rate in Bangladesh fell from a high of 60.2% in 1991-92 to 18.9% since 2006-07. In line with the general trend in the world, the rate of reduction in Bangladesh was higher for industrial products than for agricultural commodities.

Such trade liberalisation measures undertaken in Bangladesh since the early 1990s have made a significant contribution to reducing disincentives to exports and ensuring efficient allocation of resources. Tariff rationalisation has not only reduced the anti-export bias, but also encouraged both backward and forward linkages for the export sector. The resulting gain in the international competitiveness of the export sector has led to robust exports growth. The huge expansion of labour intensive industries in this sector has provided greater income generating opportunities for blue collar workers, especially women, which in turn has made a positive contribution to alleviating poverty and raising women's status. Success in exports in Bangladesh, as demonstrated also in the case of the Asian Tigers and other developing countries pursuing similar strategies, has translated into steady growth in GDP at an average rate of 5-6% since 1990. The rate of GDP growth was 6.32% in FY 2011-12.[2]

Trade and development strategies

The overarching goal of Bangladesh is to achieve the Millennium Development Goals (MDGs) and to become a middle income country by 2021. Under these development objectives, the focus is on inclusive growth and sustainable development.[3] Trade objectives are considered a means of achieving these broader development objectives. The country's development strategies and priorities are laid down in its ten-year national development plan, called the Perspective Plan (PP), 2011-21. Trade is explicitly highlighted in the country's development priorities. The PP endorses the current trade policy regime, and underscores that "to cross the middle income threshold by 2021, Bangladesh will need to transform its trade regime to the kind seen in high-performing emerging market economies" and to continue to reduce its average tariffs (GoB, 2010). The PP also emphasises that "trade should be mainstreamed in the country's national development agenda, and should particularly incorporate Aid for Trade", and recognises that Bangladesh needs to take initiatives to make the best use of AfT, with a view to building and improving the country's trade capacity and infrastructure so as to benefit from the opportunities created in the multilateral trading system.

The PP outlines several strategic approaches meant to get the maximum leverage out of the manufacturing sector and its competitiveness in the global marketplace, including:

- *Export diversification.* The export diversification strategy is meant to be achieved through further reducing the anti-export bias of the trade regime, further reducing any anti-diversification bias, and ensuring export competitiveness through addressing at-the-border barriers (e.g. tariffs) and beyond-the-border constraints (e.g. trade infrastructure, energy and telecommunications, regulations, and finance).

- *Export restructuring*. This will focus on the current trend in global production sharing and integrated globalised supply chains. The aim of this approach is to boost Bangladesh's manufacturing exports through positioning the country suitably within the global production and supply chains.

- *Working on market access issues*. This will focus on achieving duty free and preferential access for Bangladesh's products in new export destinations. At the multilateral level it implies pursuing the LDC option for special and differential (S&D) and duty free quota free (DFQF) access to developed markets, and at the bilateral/regional level through both preferential and free trade agreements.

In accordance with these objectives, Bangladesh's import, export and other policies have continuously been simplified by minimising prohibitions and restrictions to the greatest possible extent so as to be in line with international efforts aimed at trade liberalisation. Simplification of trade licensing, removal of quantitative restrictions, implementation of a flexible exchange rate policy, and withdrawal of an infrastructure development surcharge are examples.

The current Import Policy Order, 2009-12 has removed restrictions from all but 20 products and retained complete restrictions on only a handful, namely salt, live swine and pork meat, old/used office equipment, obscene materials and blasphemous materials (due to religious sensitivities). The Export Policy, 2009-12, which aims at fully liberalising the export regimes in the country, underscores that one of the highest priorities is to boost the volume of exports of locally manufactured goods to international destinations.

The analyses of broader development objectives, corresponding macro-level trade objectives, and micro-level imports and exports have illustrated that the trade objectives are mainstreamed through their reinforcement in broader national development goals and strategies. In the context of the above trade objectives, trade facilitation is viewed as a means to reduce the costs of trade transactions, facilitate the modernisation and automation of customs administration and processes, and improve port and logistics facilities. Trade facilitation is emphasised and actively sought because, as observed by the participant stakeholders at the validation conference, facilitation of trade will result in trade promotion that will lead, in turn, to trade growth in terms of increased exports and imports, and ultimately help achieve Bangladesh's broader development objectives.

Aid-for-trade flows

This sub-section provides an overview of the flow (both commitments and disbursements) of aid for trade in Bangladesh in comparison to total AfT flow. It also seeks to assess the flow of AfT in the sub-category of trade facilitation and the role it has played in trade and development.

In Bangladesh, all types of aid (both grants and loans) are received through the Economic Relations Division (ERD) of the MoF. Aid received is categorised into 17 sectors. There is no separate classification for the aid the country receives in the form of AfT, which means the ERD does not have accurate information on actual aid flows in the category of AfT. For the same reason, it does not have any clear framework with which to measure the effectiveness of AfT. Furthermore, there is a lack of information on the utilisation of AfT by different ministries and divisions and there is little inter-ministerial co-ordination concerning specific management of AfT projects in the country. Therefore, this study has drawn on international databases for the purpose of assessing the actual flows of AfT in Bangladesh.

Although AfT emerged as a separate category after the Hong Kong Declaration in 2005, trade-related aid was coming to Bangladesh before that. Even before the inception of AfT, Bangladesh received trade-related technical assistance from various bilateral and multilateral sources. Foreign funded projects in the NBR, such as the Customs and Excise Administration Technical Assistance (CEATA) project in the late-1980s to mid-1990s, the Automated System for Customs Data (ASYCUDA[4]) project in the early 1990s, the Excise, Tax and Customs (ETAC) Data Computerization project[5] in the early to late 1990s, the Reforms in Revenue Administration (RIRA)[6] project, and the CAM-1 component under the Bangladesh Export Diversification Project (BDXDP) in the early to late 2000s are cases in point.

As shown in Table 3.1, in the sector "trade policy and regulations" the total flow of AfT in 2006-09 was USD 3 217.52 million, of which LDCs received USD 584.40 million (18.16%). Of the LDCs' receipts, Bangladesh's share was USD 91.40 million (15.60%). In the sub-sector "trade facilitation" the total flow of AfT in 2006-09 was USD 478.72 million, of which LDCs received only USD 55.12 million (11.51%). In this sub-sector Bangladesh received 3.80% of the flow that went to LDCs.

Table 3.1 Average annual flow of AfT between 2006-09 (USD million)

Category	Total (2006-09)/ annual average	Commitment	Disbursement
AID FOR TRADE, total	Total	137 465	98 842
	Annual average	34 366	24 711
– LDCs	Total	39 096	26 887
	Annual average	9 774	6 722
	% of AfT total	28.44%	27.20%
– Bangladesh	Total	3 669	1 757
	Annual average	917	439
	% of AfT to LDCs	9.38%	6.53%
TRADE POLICY AND REGULATIONS, total	Total	4 907	3 218
	Annual average	1 227	804
– LDCs	Total	1 031	584
	Annual average	258	146
	% of total TPR	21.01%	18.16%
– Bangladesh	Total	115	91
	Annual average	29	23
	% of TPR to LDCs	11.12%	15.6%
TRADE FACILITATION, total	Total	797	479
	Annual average	199	120
– LDCs	Total	-	55
	Annual average	-	14
	% of total TF	-	11.51%
– Bangladesh	Total	0.04	0.524
	Annual average	0.010	0.131
	% of TF to LDCs	-	3.80%

Source: OECD/WTO 2011a; OECD/WTO 2011b.

Even though it is not possible to identify and track all the aid for trade Bangladesh has received over the years in terms of its categories and particular projects, there is no denying that trade-related technical assistance until 2005 and aid for trade since 2006 have contributed to enhancing the country's trade capacity. The effectiveness of such aid is all the more visible in the area of trade facilitation. Sections 3 and 4 focus on projects/activities undertaken through aid for trade in the area of trade facilitation, and thus on the effectiveness of aid in facilitating trade in Bangladesh.

Aid-for-trade facilitation

This section highlights various programmes and projects undertaken in Bangladesh in the area of trade facilitation. As it was nearly impossible to identify specific trade facilitation projects under AfT interventions, an attempt is made here to examine a number of trade policy and regulations projects which have important components relating to trade facilitation, undertaken with trade-related financial and/or technical assistance from multilateral and/or bilateral donors. These are the CAM-1 component under the BDXDP project financed by IDA, the MAP project financed by the World

Bank, the CPTFP project financed by ADB, and the ongoing projects of the MoC, namely the BTPSP project financed by the EU.

The first Customs Administration Modernisation project

The Bangladesh Export Diversification (BDXDP) project, financed by IDA, began in June 1999 with a total project outlay of USD 42.96 million (including IDA credit of USD 30.96 million, private matching funds of USD 9.50 million and USD 3 million from the GoB) and ended in June 2004.

Project impact and its indicators

The project's goal was to support the government's anti-poverty strategy of encouraging labour intensive, export- and private sector-led growth through enhanced enterprises and a competitive enabling environment. The stated key performance *indicator* relating to the goal or impact was *raising GDP growth rate through expanded exports*.

Project outcome and its indicators

The development objective of the project was to expand the range, depth and amount of export production by: (i) enhancing entrepreneurship via the delivery of effective technical assistance through new private and improved public channels; and (ii) removing critical business environment constraints to product and market diversification, including increased value-added through backward linkages. The stated key performance *indicators* relating to the objective or outcome were: *(a) raising the export share of GDP; (b) raising the net value-added share of export proceeds; (c) decreasing concentration indices for products and markets; and (d) better orienting exporters to market needs*.

Project outputs and their indicators

Under its Trade Management Capacity Building (TMCB) sub-project, the BDXDP included a Customs Administration Modernisation (CAM)-1 component which focused mainly on trade facilitation. The customs issues which this component aimed at addressing covered improvement of customs policies, including simplification of procedures, upgrading and expansion of the ASYCUDA system, expanding the coverage of automation and introducing a Management Information System (MIS), automation of the system for duty exemption and drawback, automation of the system to monitor bonded warehousing and special bonded warehousing, and introduction of a risk management system and a post-clearance audit system. The project outputs under the TMCB sub-project CAM-1 component were to achieve: (*i*) more competitive pricing of traded goods and reduced transaction costs for exporters through streamlined facilities to give access to world-priced inputs and speedy port clearance; and (*ii*) more efficient and reliable valuation, taxation and monitoring of export and related import transactions, through endeavours to adopt risk-management and post-audit technologies.

The stated key performance indicators relating to the project outputs were: (a) having the new system to monitor special bonded warehousing operational by June 2000, so that no special bonded warehouse applicant would be too hard to monitor by June 2001; (b) ensuring duty drawback flat rates for 50% of major domestic inputs by June 2000, so that all indirect exports would be well served by the Duty Drawback and Exemption Office (DEDO) by June 200; (c) averting the year 2000 (Y2K) problem in 1999 and having the new system operational by December 2000; and (d) successfully launching the modernisation programme (including changing the NBR culture, training staff, streamlining export clearance and improving the delivery of other customs services, and reducing clients' costs and enhancing their satisfaction with the service, etc.).

Project monitoring and evaluation

In Bangladesh, the IMED under the MoP is responsible for tracking the public sector development programmes. It primarily monitors and evaluates the development projects for efficient implementation.[7] Currently, the IMED's monitoring and evaluation is essentially based on a traditional implementation-focused system since a results-based system is not yet in place. The IMED is involved at various stages of the project cycle. In the pre-project phase its role is to suggest improvements and modifications, whereas in the implementation phase it monitors progress to ensure timely implementation and maintain quality. In the post-implementation phase it conducts terminal evaluation that includes an analysis of the performance of the project with suggestions for improvement. Finally, it conducts post-project impact evaluation on the basis of impact indicators, but these indicators are for only selected projects. During the CAM-1 project period, the IMED maintained its internal monitoring. It also conducted terminal evaluation after completion of the project and submitted a favourable report on this component. It could not be ascertained whether an impact evaluation would be conducted for this particular project.

The Modernisation and Automation Project

After the completion of CAM-1, a second phase of the IDA/WB-financed Revenue Administration Modernisation Program (RAMP) was launched. The second phase, which dealt mainly with customs and trade facilitation issues, was called the Modernisation and Automation Project (MAP). This technical assistance project began in July 2005 with a total project outlay of USD 4.09 million (including IDA project aid of USD 3.05 million and GoB contribution of USD 1.04 million) and ended in June 2009.

Project impact and its indicators

The envisaged project impact was to enhance the revenue-GDP ratio by mobilising domestic resources in order to support higher public investment in infrastructure and social sectors to help accelerate economic growth and poverty reduction. The performance *indicators* were: *(a) raising the revenue-GDP ratio*; *and*

Project outcomes and their indicators

The intended outcome of the project was to strengthen institutional capacity so as to contribute to better policy management and improved functioning of public administration. The project also aimed at realising promotion and facilitation of trade and business, and enhancement of integrity and professionalism of civil servants working in the revenue administration. It was envisaged that complete automation would help reduce discriminatory functions and equip the administration to target evaders through risk management and profiling.

The performance indicators were: (a) simplifying trade procedures; (b) expediting customs clearance beyond what was achieved under the CAM-1; (c) strengthening auditing and monitoring capacity; and (d) putting in place appropriate risk management and risk profiling.

Project outputs and their indicators

Like the CAM-1 project, MAP aimed at addressing issues[8] relating to the improvement of customs systems and processes. The project outputs were: (*i*) streamlining export and related import clearance procedures; (*ii*) facilitating greater automation and computerisation of customs data systems such as ASYCUDA++ and of other MIS capacity; (*iii*) improving information sharing among different customs offices; (*iv*) improving valuation capacity; (*v*) ensuring effective implementation of the bonded warehousing system and DEDO procedures established under the CAM-1 project; and (*vi*) piloting post-audit, risk management and other new methods/cultures/structures.

The performance indicators were: (a) expansion of automation and computerisation in customs offices; (b) enhancement of valuation capacity of customs officials, so that customs could implement an exit strategy for phasing out the Pre-shipment Inspection (PSI) system in three or four years; (c) putting in place a "Green Channel" system on a pilot basis; (d) ensuring the effective implementation of a new bonded warehousing system and DEDO procedures (training customs officers and stakeholders on new systems and procedures); and (e) putting in place an effective post clearance audit system which would facilitate shift from transaction to risk

Project monitoring and evaluation

During the project period of the MAP, the IMED continued to track spending and yearly monitoring reports were submitted. After the completion of the project, terminal evaluation was conducted and a report was submitted which provided an analysis of the performance of the project in terms of the MAP outputs and outcomes. Records suggest that post-project impact evaluation for the project has not so far been conducted by the IMED. It could not be ascertained whether any external evaluation was carried out by independent consultants.

The Chittagong Port Trade Facilitation Project

The ADB-financed Chittagong Port Trade Facilitation Project (CPTFP) began in 2004. The project is implemented by three organisations: the Chittagong Port Authority (CPA Component), the Chittagong Customs House (CHC Component) and the Roads and Highways Department (RHD Component), drawing on an ADB loan of USD 30.6 million. Although the project was scheduled to be completed by 2009, there were time over-runs and the last remaining CPA component was scheduled for completion by December 2012. The principal objective of the CPTFP was to increase the capacity of the Chittagong Port through the installation of a Computerised Terminal Management System (CTMS) for container operations, improvement of physical infrastructure and of the capacity to meet international standards for procurement and environmental management, along with the installation of container scanners in the port. It aimed at enhancing the trade competitiveness of Bangladesh by rendering port, shipping and custom services in the Port of Chittagong more efficient.

The project had six packages: five under CPA, one under RHD and one under CHC. The five packages of the CPA Component are as follows: (*i*) Procurement, installation and commissioning of a Computerised Terminal Management System (CTMS) and Management Information System (MIS); (*ii*) Procurement and installation of equipment for oily waste reception and oil spill protection; (*iii*) Construction of facilities for environmental management; (*iv*) Reconstruction and upgrading of internal roads and a canal bridge within the port area; and (*v*) Construction of a port service road and bridge over the Mohesh Khal waterway. The CHC component aimed at procuring three relocate-able scanners and one mobile scanner and putting them into operation in the Chittagong Port protected area for scanning both inbound and outbound containerised cargo. The RHD Component aimed at constructing a flyover 1.42 km long and 10.60 metres wide to connect important port areas with the port access road for traffic in both directions and putting it into operation.

Within the CPA component, the first package was most important from the trade facilitation perspective. Under this package, a CTMS was established at Chittagong Port. CTMS is a container operations control system procured, installed and put into operation to manage loading and discharging of containers from the vessel and on the terminal. It controls every aspect of the movement of containers at the terminal and between the vessel and the gate. It tracks containers in nearly real time, audits all port services applied to the containers, automatically develops bills and invoices for all port services rendered to port users, and archives and organises all information collected by the system. This information is incorporated into an MIS reporting network. The RHD component was completed with the construction of the flyover. Put into operation in 2011, the flyover has greatly reduced the impact of port traffic on Potenga Road, which provided alternative access to the port area.

Project impact and its indicators

The specific objectives of the CHC component were: (*i*) activation of the ASYCUDA++ system and installation of computers to permit electronic handling of cargo manifests, connections to the CPA computer system and eventually all party access to the system; and (*ii*) installation of a system of container scanners to enable the CHC to meet international security requirements and expedite customs clearance of import cargo. The project goal was to facilitate trade.

The performance indicators/targets relating to goal or impact were: (a) achievement of a specified annual percentage change in national GDP after project completion; and (b) achievement of a specified annual percentage change in trade after project completion.

Project outcome and its indicators

The project purpose was to increase container terminal capacity. The performance *indicator*s/targets relating to purpose or outcome were: (a) achievement of a considerable percentage of annual growth in containers after project completion; (b) reduction of port charges after project completion; and (c) reduction of vessel turnaround time and berth occupancy rate after project completion.

Project outputs and their indictors

The project outputs were: (*i*) an automated manifest system; and (*ii*) a container scanning system. The performance indicators/targets relating to outputs were: (a) reducing customs clearance time by 30% within two years of project completion; (b) increasing the annual number of declarations by 20% one year after project completion; and (c) reducing customs inspection time by 30% within one year of project completion.

Project inputs and their indicators

The project activities were: (*i*) procurement of consulting services for installation of scanner and manifest module implementation and supervision; (*ii*) procurement of goods; (*iii*) provision of training; and (*iv*) system evaluation. The performance indicators relating to these activities were: (a) mobilising consultants; (b) installing a scanner and computer system at the CHC; (*iii*) training a specified number of persons; and (*iv*) completing evaluation of the computer system's operation.

However, there were problems with the CHC component due to differences of opinion between the government and ADB over selection of a procurement provider. Finally, the government decided to buy the non-intrusive inspection technology with its own funds. Accordingly, two container scanners were procured and installed at Chittagong Port. They were put into operation in 2008.

Project monitoring and evaluation

During the project period of the CPTFP, the IMED maintained monitoring and tracked spending. After completion of the relevant components of the project, the IMED conducted terminal evaluation and submitted separate reports for those components with comments on the performance of the project in terms of outputs and outcomes. As the project has not yet been completed, impact evaluation is not currently of concern.

The Bangladesh Trade Policy Support Program

The ongoing Bangladesh Trade Policy Support Program (BTPSP), financed by the European Commission (EC), has three components: policy-related capacity building of the Ministry of Commerce (MoC), support to policy research and training capacity at Bangladesh Foreign Trade Institute (BFTI), and support to the Export Promotion Bureau (EPB) for the automation and handling of Generalized System of Preferences (GSP) certification.[9]

Project impact and its indicators

The overall objective of the project is "to contribute to trade-led growth and poverty reduction in Bangladesh". The objectively verifiable indicators relating to overall objective or impact are: (a) enhancing export and economic growth rates; and (b) improving social and poverty indicators.

The *specific objective* or project purpose is "to support the development of a coherent trade policy through capacity building of key trade-related institutions". The objectively verifiable *indicators* regarding the specific objective are: (a) adoption of a national trade policy that would be integrated within the country's overall development strategy; (b) ensuring that trade agreements and negotiations better reflect the breadth of Bangladeshi development interests; (c) creation of better awareness among economic operators of trade opportunities; and (d) ensuring that Bangladesh's GSP certification system functions securely and efficiently.

Project outcome, outputs and their indicators

The third component of the project relates to trade facilitation. The expected result for the EPB (third) component is an improved and automated system whereby the EPB will be in a position to operate the current and future GSP scheme effectively, including tracking the origin of products and calculating value addition, with the aim of ensuring authenticity and minimising the possibility of fraud and forgery.

The objectively verifiable indicators at the outcome/result level are: (a) reducing the number of fake Bangladeshi GSP certificates; (b) increasing capacity and expertise regarding the GSP scheme; and (c) improving understanding and use of the functional online system for certification and verification among relevant stakeholders.

Such indicators at the output level are: (a) the number of GSP-related trainings delivered; (b) the installation and use of software and hardware as per the requirement to ensure GSP reporting and handling of operations; (c) an increasing percentage of GSP certifications handled online from 2011; (d) improvement of record-keeping and maintenance of GSP data in the EPB Textile Cell; (e) an increased number of successful tracings of the origin of products; and (f) a 50% reduction in the response time of the EPB.

Project inputs and their indicators

Programme activities for the third component are to train EPB staff, exporters and other stakeholders, to improve present and future GSP certifications and online handling of operations, and to set up data management, maintenance and an easy access system for data/records relating to GSP certification. The objectively verifiable indicators relating to activities are: (a) obtaining the services of relevant professionals; (b) procuring supplies/equipment, such as computers, software and training materials; and (c) mobilising operating costs (including local staff, information and workshops).

Project monitoring and evaluation

The project is currently ongoing, and there are provisions for internal monitoring and evaluation by the IMED. At the same time, there are provisions for external evaluations to be carried out by independent consultants recruited by the EC and the IMED.

Results-based framework for trade facilitation

While the preceding section focused on the performance of the AfT or trade-related technical assistance in the country's progress towards facilitating trade, this section discusses to what extent the country uses a results-based framework in the area of trade facilitation.

Existing mechanisms

This sub-section reviews existing mechanisms within the governmental system in Bangladesh to manage aid for trade and development results in the area of trade facilitation (including targets and performance indicators). It was shown in the above analysis that the government keeps track of external concessional financing flows through aid management platforms and an international database. But in the area of AfT it has not yet developed any mechanism to monitor the flow of AfT, as there is no specific sector in the ERD earmarked to monitor the flow of trade aid.

In the case of foreign aid funded projects/programmes, it is mandatory to have an approved Development Project Proforma (DPP) or Technical Assistance Project Proforma (TAPP). The DPP/TAPP incorporates all the detailed working plans with a timeframe, including the inputs and outputs of the project. The logical framework (more commonly referred to as a “log frame”) under the TAPP clearly spells out the project goal, objectives, verifiable indicators, etc. The DPP/TAPP is prepared by the country’s implementing agency in consultation with the relevant donor(s), followed by final approval by the Planning Commission. Strict monitoring of the project during the implementation period and internal evaluation after completion are conducted by the IMED. The same procedure is applicable in the case of AfT or trade-related technical assistance projects/programmes.

The dialogue on aid between the government and donors has been strengthened recently through the Aid Effectiveness Unit (AEU)[10] of the ERD. The government signed a Joint Cooperation Strategy (JCS)[11] with 15 development partners in June 2010. The strategy, based on the five principles of Paris Declaration on Aid Effectiveness (2005),[12] is expected to help establish the framework for aid processes, procedures, complementarities and division of labour between the government and the development partners. There is also an Aid Effectiveness Working Group (AEWG), incorporating officials from both the government and the donors.

On the issue of AfT, there is the Trade-Related Technical Assistance Working Group headed by the Director-General, WTO Cell of the MoC. The TRTA Working Group includes representatives of the MoC, the ERD, the Ministry of Agriculture (MoA), the EPB and the Bangladesh Tariff Commission on the government side, and the Centre for Policy Dialogue, Federation of Bangladesh Chambers of Commerce and Industries (FBCCI), Metropolitan Chamber of Commerce and Industry (MCCI) and Dhaka Chamber of Commerce and Industry (DCCI) from the private sector. However, it does not include any representative from the IMED, even though the IMED is the central authority in the country for the monitoring and evaluation of development projects.

In terms of the dialogue on AfT between the government and national stakeholders, following the government's decision to join the Enhanced Integrated Framework (EIF) in 2009 the MoC organised two seminars in 2010 involving representatives of ministries, trade bodies and chambers, think tanks and development partners. During these consultations, stakeholders deliberated on key areas that affected their growth potential and put forward suggestions to overcome the hurdles.

Regarding trade facilitation issues, government agencies such as the NBR, MoC, MoS, MoA, EPB, Board of Investment, and Bangladesh Standards and Testing Institute, as well as private stakeholders, conduct regular consultations. As a result, trade facilitation measures and accredited quality certification procedures are improving gradually. However, such consultations, both inter-ministerial and stakeholder, do not always follow a structured format. The private sector often complains that its inputs are not adequately addressed in the final policy output, and stresses the need for greater co-operation and support on the part of all concerned.

In the case of projects and programmes taken up in the area of trade facilitation, the same mechanisms as described above, in terms of project management, monitoring and evaluation, have been employed to manage trade and development results. While spending is monitored by the audit department of the government, the progress of projects during their implementation stage is monitored separately by the IMED, the implementing agencies and the donors. The IMED also conducts the evaluation after projects are concluded. However, evaluation in most cases focuses mainly on the ratio of expenditure to the commitment and on the financial audit. Further, since trade facilitation projects are based not on investment credit but on technical assistance, the IMED has little role to play.

Shortcomings of targets and indicators

This sub-section assesses the targets and indicators donors have used to monitor progress with aid for trade-related projects and programmes directed at trade facilitation in Bangladesh. If we look at donors' sectoral preferences in their participation as development partners in the overall ODA flow to Bangladesh, we find that among the 17 categories identified by the ERD as development sectors the main ones in which donors have made the largest contributions are rural development, power, industries, oil and gas and natural resources, transport, communication, health and family planning, education, water resources, and physical planning and housing.

National level development goals and objectives are set under the Fifth and Sixth Five Year Plans (FFYP and SFYP), in which key sector-wise investments to be made and targets to be achieved are also described. Each specific programme has its set of outputs, which ultimately lead to the achievement of national goals. DPPs/TAPPs of the projects/programmes undertaken by various ministries/departments reflect these goals and objectives. Moreover, major donors (e.g. ADP, the EU, Japan, the World Bank) have their own strategies (usually for two to three years in duration) for channelling foreign aid to Bangladesh. Sector-wise projection of funding and the targets thereof are mentioned in their strategies. Donors also carry out evaluation of the performance of the projects/programmes, as well as country performance in relation to the national goals.

In spite of the existence of the AEWG and the JCS in terms of general aid and ODA, there has been little manifestation of alignment of donor support with the country's trade-related priorities. This could be due to the non-categorisation of aid for trade as a separte sector in ODA to Bangladesh and, for this reason, there have not yet been any criteria for defining aid as AfT. Further, as a result of the global financial crisis and ongoing economic hardship across Europe, aid flows to Bangladesh have declined. Since there is not yet a database detailing the AfT pillars where aid has been received, it is difficult to assess whether donor support has been aligned to meet national priorities.

There is no separate criterion for performance evaluation of AfT interventions, which means the general parameters or indicators used for all categories of projects are also used in the case of AfT. Trade facilitation projects have some results-based performance evaluation indicators which, however, are mainly formulated by the donors and follow the loan/financial agreements and logical frames. While the implementing agencies are often consulted, there is very little or no private sector stakeholder consultation during the formulation of targets and results indicators.

It is also found that while there is some understanding among the implementing agencies and the donors about the outputs (e.g. what quantity, software, hardware and equipment purchased and installed, or how many officials trained) and the impacts (e.g. export diversification, expansion or poverty eradication), there is less understanding in regard to outcomes (e.g. how trade facilitation projects improve the process or simplify the procedure, or how much money or time is saved). This may be the chief reason for the inability to effectively measure results. In addition, this study has also found that very few macro level indicators are used in AfT/TRTA projects in the area of trade facilitation for their monitoring and evaluation. Moreover, in-country resources and expertise are not sufficiently available to evaluate such projects on the basis of results or performance.

Further, the participant stakeholders at the validation conference held on 28-29 November 2012 identified the following shortcomings associated with the targets and indicators currently used in the country:

The targets and indicators are mainly formulated by the donors, which try to impose them on the implementing agencies in Bangladesh. Due to their engagement in many projects in different countries, donors usually possess a pool of relevant indicators, and therefore it is easier for them to establish indicators for their projects in Bangladesh. However, this way of developing indicators and making the domestic agencies align with them leaves little room for the relevant agencies to effectively predict beyond the output level, and to contemplate results in the longer time frame after the conclusion of projects.

Private stakeholders, including the trade bodies, currently have no visible or explicit involvement in trade facilitation projects. In addition to projects run by the government agencies, the donors may also consider funding private sector-run projects concerning areas such as establishing common facility centres, product-specific clusters and economic zones, central effluent treatment plants, product quality management, intellectual property rights, transfer of technology, and effective integration of small and medium-sized enterprises (SMEs) and women entrepreneurs into the domestic, regional and global markets.

The donors hardly consult the line ministries at the project design stage. Even such consultation as there is follows the top-down approach, meaning the donor agencies only meet the top management, e.g. the Minister or the Secretary (Chairman in the case of NBR), while the relevant people in the field who will be implementing the projects are not consulted,[13] which may create a feeling of apathy among them. This often leads to a problem of lack of ownership after the completion of projects, making it very difficult to measure the long-term impacts of such projects.

Trade facilitation projects often concentrate on activity-level quantifiable criteria, for example how much money is spent on a project in a specific time period, or whether required man-months have been utilised. However, there is less emphasis on devising medium- and long-term measurable indicators during the project planning stage. For example, in the case of the MAP, the impact assessment of hiring the consultants, and of training the relevant government and private trade officials, had not been conducted and the important issue of ensuring continuity in posts had not considered.

The accountability mechanisms or procedures currently used in Bangladesh include the government financial audit, the IMED's monitoring and evaluation system, and the implementing agencies' own monitoring system. However, these are mainly output-based mechanisms. While the IMED does some results-based evaluation only in selected cases, the issue of the limited resources and manpower at the IMED handicaps it from applying this evaluation to all the projects. This implies that no results-based monitoring system in the area of trade facilitation projects exists in Bangladesh.

Section 3 identified the major performance indicators used by the implementating agencies and donors in terms of project goals/impacts, project objectives/outcomes/results, and project outputs against the AfT/TRTA projects undertaken in the area of trade facilitation. Using those indicators, we could conclude that the trade facilitation projects undertaken have been somewhat successful in achieving their goals and objectives. As illustrated in Section 4, customs formalities relating to documentation, automation and procedures have been greatly simplified. Consequently, the AfT/TRTA interventions, trade transaction costs and clearance time have been reduced and both trade and exports have been enhanced. The country's exports have also exhibited impressive growth performance, rising from USD 12.18 billion in FY 2006-07 to USD 24.28 billion in FY 2011-12.

The fulfilment of these trade goals and objectives, such as reduction of transaction costs and enhancement of trade and exports, has, in turn, contributed to achieving development goals or impacts, such as boosting economic growth and reducing poverty. Bangladesh's GDP has consistently grown, at an average rate of 5-6% since 1990. Growth in GDP was 6.32% in FY 2011-12. In addition, the number of people living below the poverty line has been reduced, from 40% in 2005 to 31.5% in 2010. These projects have also been able to enhance the understanding of trade. Trade is fully mainstreamed in national development plans and strategies.

However, attributing credit for that performance to these indicators may raise eyebrows. Questions may arise as to whether the success story illustrated here has been the direct result of these AfT/TRTA projects, or whether there have been other factors that could have made equal or greater contributions in that regard. It has been established in the preceding discussion that there is no trade-related results framework in Bangladesh. In the absence of such a framework, it will always be difficult to effectively measure performance of the country's trade facilitation projects. This makes the need for an effective AfT results framework in the area of trade facilitation all the more pressing.

Towards an effective results framework

This sub-section provides an assessment of the challenges and constraints regarding the introduction of a country-managed aid-for-trade results framework in Bangladesh. It is by now evident that the indicators identified in Section 3 and used by the trade facilitation projects in Bangladesh would not be sufficient for incorporation into an ideal and country-specific results framework.

Closely following the progress made in the trade facilitation negotiations at the WTO and focusing on the WTO Draft Consolidated Negotiating Text on trade facilitation, OECD has identified 12 indicators for trade facilitation (Moisé *et al*., 2011). These are: information availability, involvement of the trade community, advance rulings, fees and charges, document formalities, automation formalities, procedural formalities, internal co-operation, external co-operation, consularisation, governance, and impartiality. If we examine the situation using the 12 indicators identified above (Moisé *et al*., 2011), we will find that in terms of information availability, advance rulings, fees and charges, document formalities, automation formalities, procedural formalities and external co-operation, Bangladesh needs to take actions in order to make its trade regime more compliant with global trade facilitation agenda.

However, these gaps cannot be ascertained using the original indicators employed in the trade facilitation projects in Bangladesh. This revelation may lead us to assume that either the goals and/or objectives set for the trade facilitation projects in Bangladesh were too narrow, or the indicators used in those projects were not sufficient to identify the actual performance of those projects. This also indicates that a more effective and demonstrative results framework is required for future trade facilitation projects in order to fulfil mutual accountability requirements and to mitigate pressures on the donors from their taxpayers to demonstrate performance.

While developing indicators for such a trade-related results framework in Bangladesh, the implementing agencies, donors, the IMED and the ERD need to take into consideration the following issues:

- A needs-based approach is required in order to fully grasp project-specific needs and requirements. In other words, indicators should be tailor-made, and the process of devising indicators should be dependent on the nature of projects. At the same time, internationally accepted norms for monitoring and evaluation, such as the Paris Declaration on Aid Effectiveness, should be followed.

- The implementing agencies should be allowed to develop their own indicators, and in doing so they should take into consideration some of the good and relevant indicators developed and used by the donors in similar projects in other countries or contexts.

- The donors and implementing agencies should work in unison to develop and align their monitoring and evaluation frameworks to measure the performance of their interventions.

- A mechanism for regular and structured stakeholder consultation involving government agencies, development partners and the private sector should be in place. For trade facilitation projects to be effective, private sector representatives should be included in the project steering committees so that they can play a useful role in the process of monitoring and evaluation.

- There should be a focus on reducing the cost of trade transactions, reducing assessment and clearance time, improving ships' turnaround time, improving logistics performance, and simplifying customs and trade procedures.

- Instead of focusing on the only quantifiable criteria currently used (e.g. how much money is spent?), there should be a focus on devising measurable but effective indicators at the time of design and planning of projects.

- Efforts should be made to avoid overlaps and gaps. The way indicators are developed now allows little scope to the relevant agencies to predict beyond the output level. Indicators should, therefore, be designed through an inclusive process so that people from relevant agencies, such as Customs and Port, are involved in the design of targets and formulation of results indicators.

- Instilling transparency and accountability in the customs and trade administration and in the trade transactions should be an important consideration while devising the indicators.

Conclusions

The study has revealed that the existing framework used jointly by the country's implementing agencies (e.g. the NBR and MoC) and the donors to monitor results or performance does not have the necessary strength or capability to effectively showcase both the results and the lack thereof. The results framework needs to be more broad-based so as to encompass developments required in all aspects of the global trade facilitation agenda. Such a framework would also contribute to promoting mutual accountability between Bangladesh and the donor agencies involved in AfT.

Therefore, while taking into consideration the existing indicators used in interventions in Bangladesh, the AfT results framework or intervention logic may also incorporate some of the trade facilitation-specific indicators used in international forums. Inclusion of these indicators in the proposed framework would enable Bangladesh to properly orient its development and trade strategies and objectives in the right direction and in the right manner so as to adapt itself to the global trade facilitation agenda. This would also enable the donor community to focus its attention on areas of trade facilitation that have the most pressing need for their AfT interventions.

An attempt is made here to outline the performance indicators for AfT/TRTA projects in the area of trade facilitation. Using objective criteria, these indicators are grouped into the impact, outcome and output categories.

The performance indicators in terms of both development and trade goals/impacts, or the *impact indicators,* could be as follows:

- national GDP growth rate raised;
- improved social indicators;
- success in poverty reduction;
- growth in trade volume; and
- growth in exports.

The possible performance indicators in terms of trade outcomes/results/objectives, or the *outcome indicators,* for these AfT interventions are divided into two categories, such as the macro level and the project level outcome indicators which are shown separately below:

Macro level outcome indicators:

- net value-added share of export proceeds raised;
- concentration indices decreased for products and markets;
- exporters better oriented to market needs;
- trade information easily accessed by traders; and
- anti-export bias reduced.

Project level outcome indicators:

- annual growth in container handling at considerable percentage;
- port and other charges and fees reduced;
- vessel turnaround time and berth occupancy rate reduced;
- increased capacity and expertise on the origin certification scheme;
- modernisation programme implemented successfully, e.g. NBR culture changed, customs service delivery improved; clients' costs reduced; and clients satisfied;
- customs clearance time reduced by (percentage within) (a specified period);

- online declaration and documents lodgement increased by (percentage within) (a specified period);
- customs inspection time reduced by (percentage within) (a specified period);
- number of successful tracing of origins of products;
- common cross-border customs management system introduced;
- customs auditing and monitoring capacity strengthened;
- advance ruling procedures modernised; and
- appropriate risk assessment and risk profiling in place.

The performance indicators in terms of trade outputs or the *output indicators* for these AfT interventions could be as follows:

- expanded automation and computerisation in customs offices;
- modernisation programme launched successfully, e.g. staff trained; export clearance streamlined;
- number of origin determination related trainings delivered;
- number of valuation training delivered to enhance valuation capacity;
- number of trainings delivered on the new bonded warehousing system and DEDO procedures to ensure effective implementation;
- a national single window in place; and
- authorised economic operator system in place.

As the foremost AfT challenge in Bangladesh concerns building a national database detailing AfT flows and projects, the ERD needs to create a separate sectoral classification of AfT to facilitate the creation of such a database. The existence of such a database would facilitate better monitoring and measurement of the performance of such programmes. In addition, the development partners and the Government of Bangladesh could consider more mutual consultations, maybe through the LCG, as it would help integrate the donors' areas of preference with the national priorities. Regular consultations with the private sector would be useful. Further, as AfT is a comparatively new area and covers only a small portion of total ODA received in Bangladesh, for the attainment of the most efficient results from AfT interventions exhaustive capacity assessment is required for analysing strengths and weakness at three different levels, i.e. individual, organisational and institutional. This would ensure the sustainability of the framework that would be generated as a result.

The results-based framework or a menu of indicators that this study has attempted to develop for AfT interventions in the area of trade facilitation will be important in the sense that it would be a country-generated framework providing, on the one hand, a useful guide to the relevant agencies in the country and, on the other, valuable insight into the country's needs and priorities for the donors/development partners. The framework is not applicable not only to AfT/TRTA-based trade facilitation projects in Bangladesh but also to similar projects in other developing countries and LDCs with a similar level of trade and logistics capacity.

Notes

1. The NBR, ERD and Finance Division are three important wings of the MoF. The other wing of the MoF is the Bank and Financial Institutions Division.
2. For an analysis of how trade liberalisation has promoted export and economic growth in Bangladesh, see Mozumder (2009a).
3. Here "inclusive growth" implies job creation and increased employment, and "sustainable development" implies poverty reduction in a sustainable manner.
4. ASYCUDA is customs software developed and designed by United Nations Conference on Trade and Development (UNCTAD).
5. The CEATA and ASYCUDA projects were funded by United Nations Development Programme (UNDP), and the ETAC project was funded by the International Development Agency (IDA)/World Bank. These projects aimed at computerisation of customs administration, automation of customs assessment and clearance procedures, and digitalisation of customs data. However, detailed examination of these projects is not attempted here since all of them were completed well before 2000.
6. The RIRA project, funded by DFID, aimed at reforms in both direct and indirect tax administration. It will not be analysed in this study as it did not focus on trade facilitation.
7. For a detailed understanding of the activities conducted by the IMED, see GoB (2011).
8. Although the MAP was not limited to trade facilitation issues, and instead focused on various issues related to both direct and indirect tax administration, this study will highlight only the envisaged project outcomes and outputs that were relevant for customs trade facilitation purposes.
9. While the BTPSP is generally aimed at various trade aid categories, such as trade policy and regulations and building productive trade capacity, it has been chosen in this study for examination of the third component, which relates to trade facilitation, i.e. automation of GSP certification at the EPB.
10. The AEU was established in June 2006 as a focal point to assist the government in implementing the Paris Declaration on Aid Effectiveness. Development partners have pledged their commitment to rally around this focal point in order to implement the principles of the Paris Declaration and Accra Agenda for Action and beyond.
11. The JCS (*www.lcgbangladesh.org/aidgov/JCS/JCS_Signed_document.pdf*) sets standards for the effective management of aid through joint programming, use of government administrative and financial systems, joint appraisal and analytical work for co-financed programmes, and joint dialogue and joint review of progress in implementing programmes. The overall goal is to make aid in Bangladesh more effective by creating common platforms for national and sector-level dialogue and co-ordination.
12. *www.mfdr.org/sourcebook/2-1Paris.pdf*.

13. For a detailed analysis of the shortcomings of the trade facilitation projects undertaken by the NBR as such, see Quayum (2011).

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Chapter 4

Managing aid for trade and development results in Ghana

The case study in Ghana examines mechanisms for tracking the outcomes of aid-for-trade interventions in the agriculture sector and recommends ways to improve on existing frameworks in order to measure the performance of donor interventions. The study notes that there is considerable co-ordination between the Ministry of Food and Agriculture and development partners present in Ghana. Co-ordination largely takes place during annual joint sector reviews. These also include monitoring and evaluation, and some of the frameworks also incorporate agricultural related targets and performance indicators. Missing from the reviews, however, are discussions about the impact of donor support on the trade performance of the agricultural sector. While there are many donor activities in the agriculture sector, most lack objectives directly related to trade, while the indicators that are being used tend to focus more on domestic outcomes - in particular reducing imports of agricultural products, such as rice, rather than on pursuing an export agenda. The case study suggests that Ghana's Aid Policy and Strategy, which encompasses measures for monitoring and evaluating aid in general, should be expanded introducing trade objectives and indicators which should prioritise agricultural export diversification, raising export earnings, and increasing the share of processed (value-added) agriculture products.

Ghana's long-term development goal is to achieve per capita income of at least USD 3 000 by 2020. Its agriculture sector is expected to play a major role in this regard. However, productive capacity constraints, arising largely from human, institutional and other bottlenecks, pose a major challenge to the attainment of this goal. The current development policy framework is the Ghana Shared Growth and Development Agenda (GSGDA 2010-13). Trade features prominently in this agenda. There is a significant donor presence in Ghana's agriculture sector and many projects and programmes seem to be aligned with the country's development objectives in agriculture, as contained in the GSGDA/Food and Agriculture Sector Development Programme (FASDEP) documents. An examination of these activities indicates that only a few donors focus explicitly on activities with a trade element. The GSGDA and FASDEP II have some agricultural trade-related indicators, but there is a lack of harmonisation between the indicators for the two sets of documents.

Apart from the national monitoring and evaluation framework, which also applies to the agriculture sector and enables the measurement of outcomes based on predetermined agriculture sector indicators, there is considerable co-ordination between the Ministry of Food and Agriculture (MoFA) and Ghana's development partners. Co-ordination largely takes place within the annual joint sector reviews (JSRs). Missing from the JSRs, however, are discussions of the impact of donor support on agricultural trade outcomes. MoFA's indicators (as derived from agriculture sector policy objectives) tend to focus more on domestic outcomes. Another reason there are few discussions of the impact of donor assistance on trade is that MoFA's objectives have focused more on reducing imports of agricultural products, such as rice, than on pursuing an export agenda.

Against the backdrop of the substantial aid-for-trade flows into Ghana's agriculture sector, it is imperative for the country to adopt a framework that enables measurement of the trade impacts of aid based on identified trade-related indicators and the development of a workable monitoring and evaluation system to measure the results. In 2011 Ghana introduced an aid policy, the Ghana Aid Policy and Strategy, for the period 2011-15, which specifies some measures to ensure effective monitoring and evaluation of aid in general. It can therefore serve as a minimal framework for introducing trade objectives and indicators to measure the impact of aid for trade. The ingredients should include Ghana's own targets, as defined in its development policies. Indicators could include an increase in the diversification of agricultural exports, an increase in export earnings and in the number of export markets, and an increase in the proportion of processed (value-added) agriculture products. It is important to establish targets that can be monitored without expending too many resources – human or financial. The mechanism should also reflect donors' views on mutual accountability.

Introduction

Ghana's estimated population in 2010 was 24 million. The country has a rich and diverse resource base and its GDP is one of the highest in Africa. However, it remains somewhat dependent on international financial and technical assistance, as well as on remittances from the extensive Ghanaian diaspora. Gold, cocoa, timber, diamonds, bauxite and manganese continue to be the main exports and major sources of foreign exchange. There is much subsistence agriculture, accounting for 35% of GDP and employing 55% of the workforce. In the past six years, growth rates higher than 5% have been recorded. Following the onset of oil production in commercial quantities in 2010, an exceptionally high real GDP growth of 14% was recorded in 2011. Ghana's long-term development goal, as set out in the Ghana Shared Growth and Development Agenda (GSGDA), is to achieve *per capita* income of at least USD 3 000 by 2020.

This report examines mechanisms for tracking the outcomes of aid for trade interventions in the agriculture sector and recommends ways to improve on existing frameworks in order to measure the performance of AfT interventions using quantifiable targets and objectives. Preparation of the report involved an assessment of the existing national monitoring and evaluation framework for development plans, as well as agriculture sector-specific and donor M&E systems. It also involved a review of existing national and sectoral development policies, trade policy, aid policy, and analyses of data on aid-for-trade flows and donor activities in the agriculture sector.

Interviews were conducted with key state actors and development partners within the national landscape of trade-related assistance. Three key ministries were consulted: the Ministry of Food and Agriculture (MoFA), which is responsible for developing and executing policies and strategies for the agriculture sector within the context of a co-ordinated national socio-economic growth and development agenda; the Ministry of Finance and Economic Planning (MoFEP), whose responsibilities include national aid management and co-ordination; and the Ministry of Trade and Industry (MoTI), which is responsible for trade policy formulation and the development of domestic and international trade. Interviews were also conducted with, and data obtained from, some development partners active in Ghana's agriculture sector.

The remainder of this chapter is structures as follows: Section 2 discusses past and present trade policies and the current development framework are discussed. Section 3 presents an overview of Ghana's agricultural trade, development co-operation, aid-for-trade flows, and donor activities in the agriculture sector. Section 4 discusses the institutional framework for monitoring and evaluating development programmes and projects, the role of donors, the indicators used to monitor agriculture sector objectives and an assessment of challenges and constraints in the M&E system. Concluding remarks on how to manage aid for trade for results are presented in Section 6.

The development framework

Since 1957, several policies and programmes to accelerate economic growth and raise living standards have been pursued with varying degrees of success. Policies pursued over the past two decades include Ghana Vision 2020: The First Step (1996-2000); the First Medium-Term Plan (1997- 2000); the Ghana Poverty Reduction Strategy (2003-05); and the Growth and Poverty Reduction Strategy (2006-09). The overall policy framework being used now is the Ghana Shared Growth and Development Agenda (GSGDA 2010-13). It guides overall policy and is quite comprehensive.

The overarching goal of this medium-term economic development policy is to achieve and sustain economic stability while placing the economy on a path of higher growth in order to attain a per capita income of at least USD 3 000 by 2020. Within this framework, trade features prominently and aspects of Ghana's Trade Policy document are firmly embedded in it. International trade management under the Trade Policy emphasises improving export competitiveness and diversifying and increasing exports and markets. The chapter of the GSGDA on enhancing the competitiveness of the private sector stresses removing barriers to trade and investment, as well as reducing the cost of doing business by removing internal value chain and institutional constraints. In that document there is also recognition of the need to invest in modern infrastructure and to enhance institutions to reduce the cost of doing business. Thus, trade policy is mainstreamed and recognised as an integral part of overall policy.

The GSGDA policy document clearly emphasises the importance of the agriculture sector. Agriculture in Ghana is dominated by subsistence smallholder production units with weak linkages to industry and the services sector. Moreover, it is characterised by a low level of technology and productivity, low income, and lack of competitiveness in production, processing and distribution. The main focus of agricultural development, over the medium term, will be to accelerate modernisation of agriculture through implementation of sector-specific policy programmes, namely the Food and Agriculture Sector Development Policy (FASDEP II) and the corresponding investment plan, as detailed in the Medium-Term Agricultural Sector Investment Plan (METASIP), and ensure effective linkage between agriculture and industry.

FASDEP II has six objectives: food security and emergency preparedness; increased growth in incomes; increased competitiveness and enhanced integration into domestic and international markets; sustainable management of land and the environment; science and technology for food and agricultural development; and institutional co-ordination. These six objectives are envisaged to have a high degree of synergy. They all contribute to the attainment of the overall goal of modernised agriculture – a structurally transformed economy, food security, employment and reduced poverty. For example, under the second objective rural infrastructure is to be enhanced, but this will also contribute to meeting the third objective. The overall aim is to enhance learning and innovation, which will provide the basis for the adoption of high technology and subsequent high productivity and income growth.

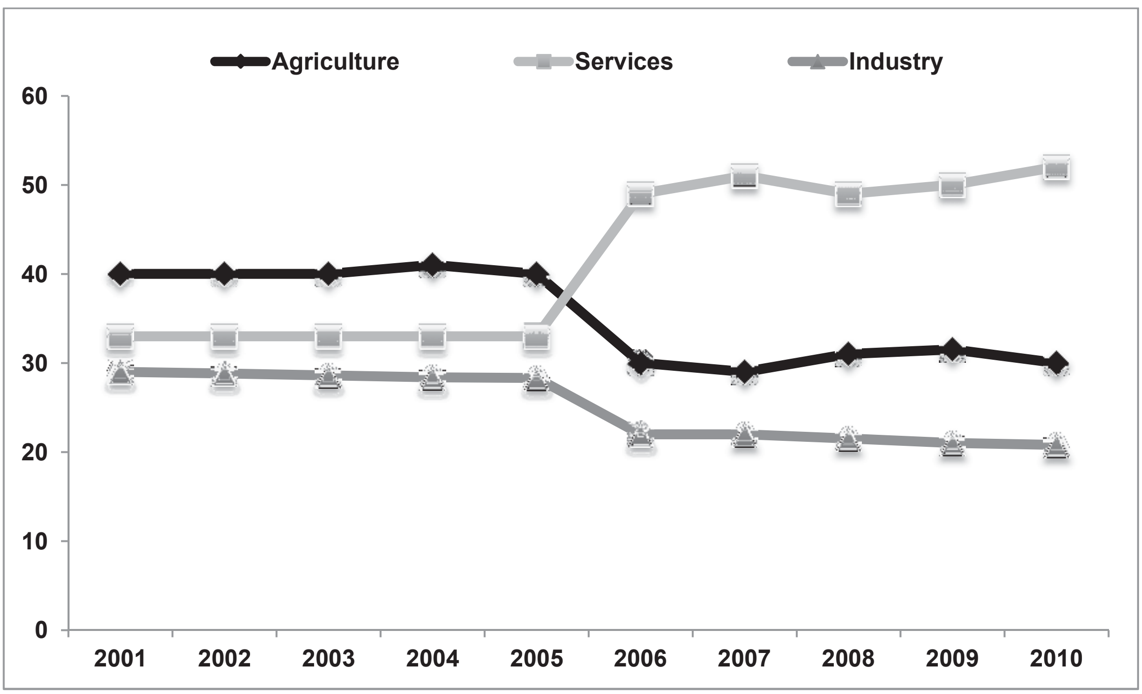
More directly related to trade is the third objective which talks about increased competitiveness. Here FASDEP II identifies the global food crisis as an opportunity, which Ghana can take advantage of given its agricultural resource endowment. The overarching goal is to enhance Ghana's comparative advantage with measures that will complement this resource endowment. Three main areas are identified for more attention: expanding production for the growing internal market, further development of agricultural exports, and post-production management. Within each area constraints are identified and appropriate policy interventions are proposed. For domestic marketing the main proposal is to "encourage partnership between private sector and District Assemblies to develop trade in local and regional markets with improved market infrastructure and sanitary conditions, and enforce standard of good agricultural practices" (FASDEP II). To complement this, it is proposed to build capacity within the Ministry of Food and Agriculture to provide marketing extension. For expanding exports, the main strategy is to "provide comprehensive support of improved access of operators to market information and intelligence, technology, relevant market infrastructure and financing to enable operators to respond to the changing needs of market." For post-production management, the main strategy is to "improve supply chain management with emphasis on developing clusters of small to medium-scale farmers and processors to enhance access to technical advice and logistics."

Agricultural trade and development co-operation

Agricultural trade performance

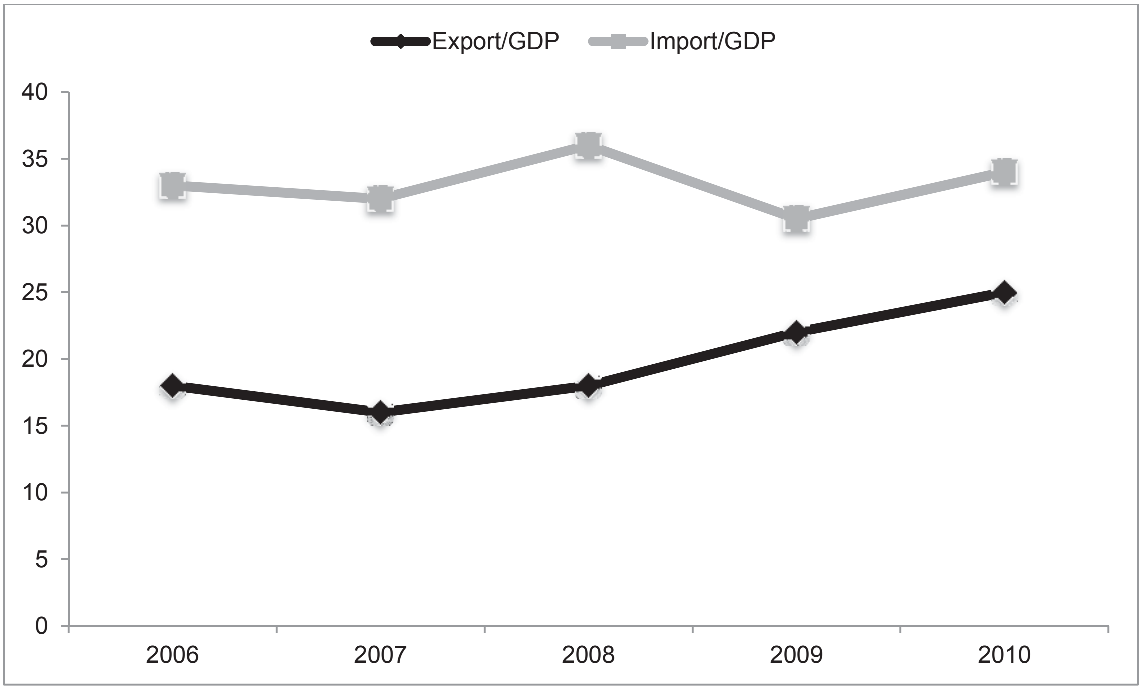
Ghana's economy is largely agrarian. The agriculture sector has been the largest contributor to GDP until recently, when the services sector took over (Figure 4.1). The economy is quite open to trade, with exports constituting about 20% of GDP and imports hovering around 32% on average in the past ten years (Figure 4.2). However, these values remain below the average for sub-Saharan Africa. Exports in particular have exhibited stronger positive growth than imports in the past ten years. Europe imports the bulk of Ghana's exports. The Netherlands has been the single largest destination of Ghana's exports, consistently recording a share greater than 11% during the ten-year period 2000-10 (Figure 4.3). The dominance of cocoa in Ghana's agricultural trade is obvious from Figure 4.4. Export revenues from cocoa have exhibited remarkable increases due to both price and output increases in the last few years. Revenues from the export of non-traditional agricultural products have remained largely stagnant in the past ten years (Figure 4.4).

Figure 4.1 Sector shares of GDP (%)



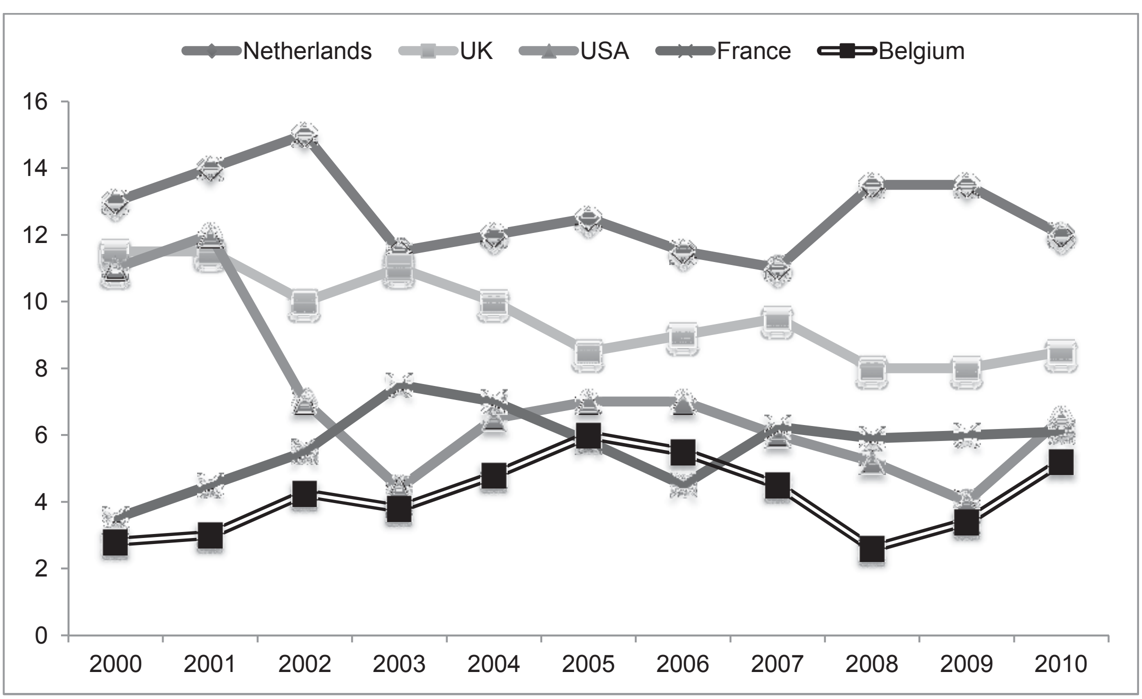
Source : Based on data from The State of the Ghana Economy Report, ISSER, University of Ghana.

Figure 4.2 Export and import shares of GDP (%)



Source : Based on data from The State of the Ghana Economy Report, ISSER, University of Ghana.

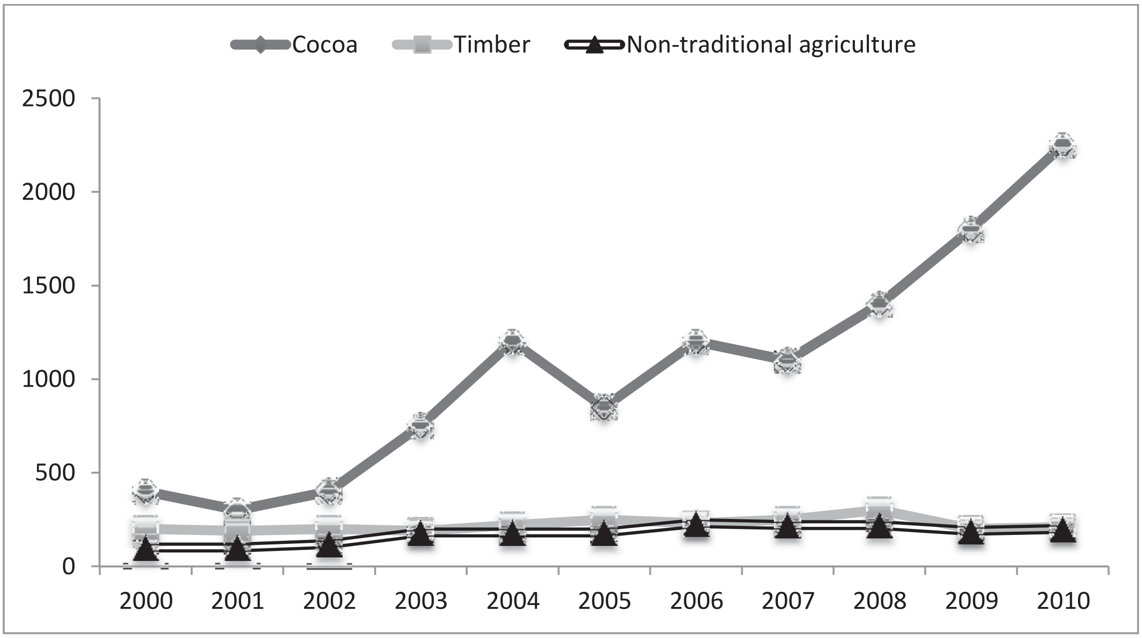
Figure 4.3 Export destination shares (%)



Source : Based on data from The State of the Ghana Economy Report, ISSER, University of Ghana.

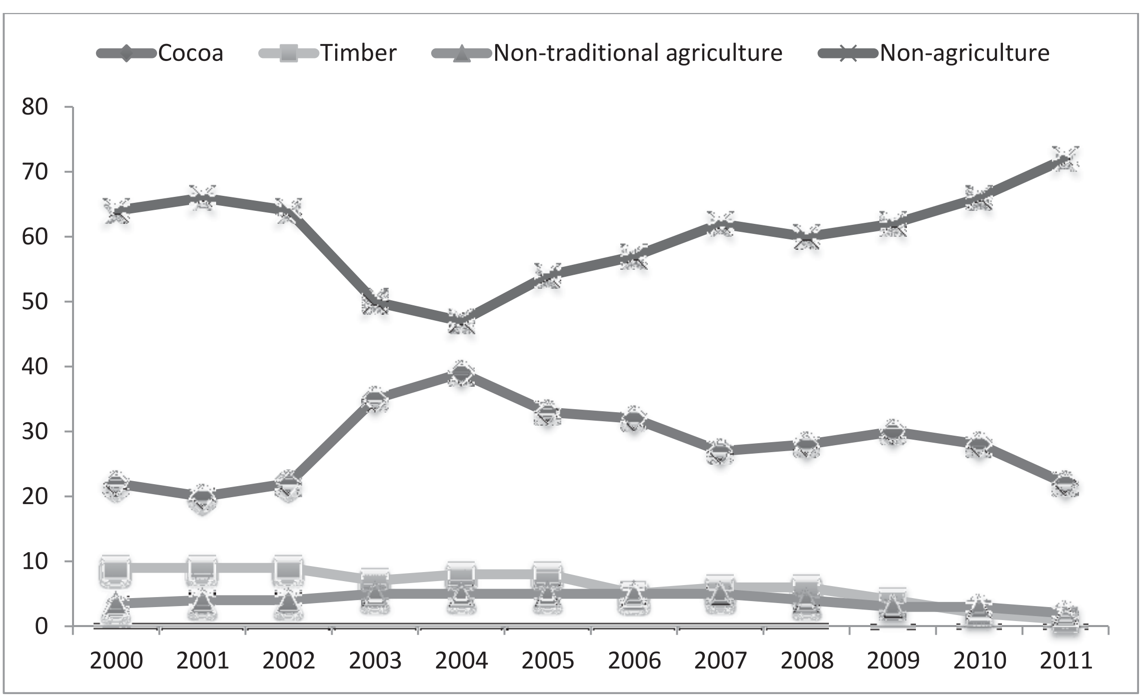
Figure 4.4 Agricultural export revenues

(USD million)



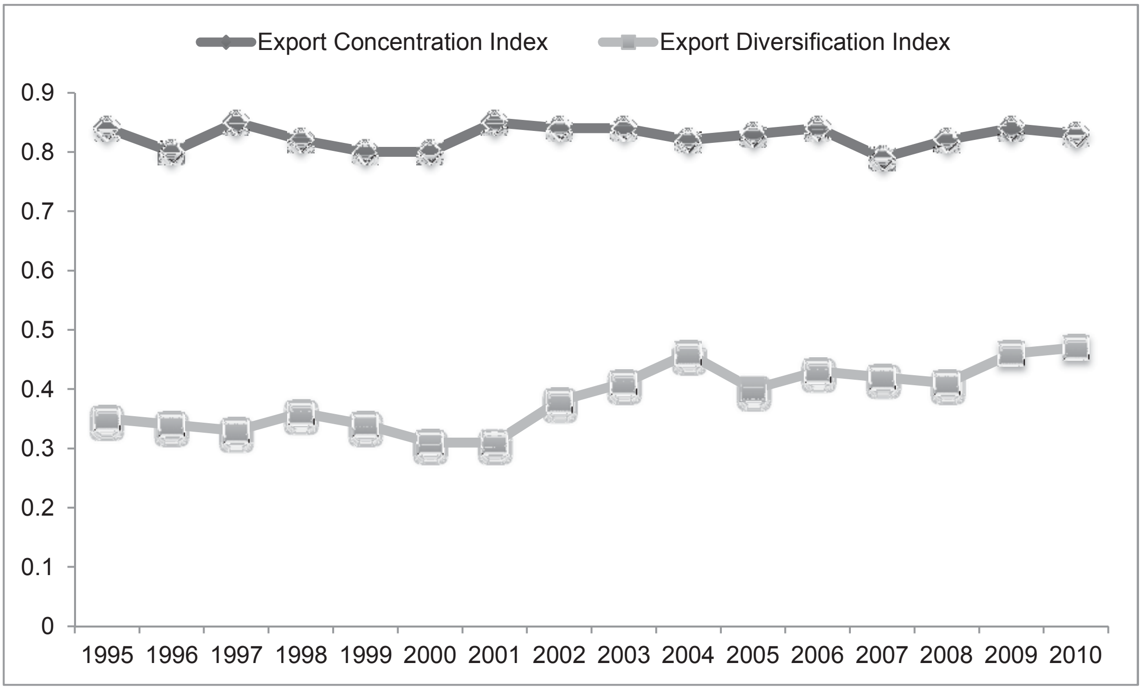
Source : Based on data from The State of the Ghana Economy Report, ISSER, University of Ghana.

Figure 4.5 Shares of export earnings (%)



Source : Based on data from The State of the Ghana Economy Report, ISSER, University of Ghana.

Figure 4.6 Export concentration and diversification indices



Source : Based on data from The State of the Ghana Economy Report, ISSER, University of Ghana.

Figure 4.5 shows that non-agricultural products (mainly gold)[1] and cocoa remain the two major commodity export earners. They account for more than 70% of total export earnings, with minerals having a slight edge. Cocoa exports displaced minerals as the major export earner in 2004, for the first time in over a decade. Non-traditional exports (NTEs) have been promoted as part of the ERP/SAP. Figure 4.5 shows that agricultural NTEs contribute less than 10% of export earnings. This share has been declining in recent years. Despite efforts to diversify the export base, Ghana's exports continue to be dominated by a few products, as revealed by the export concentration[2] and diversification indices in Figure 4.6.

Development co-operation

Ghana has been involved in development co-operation agreements and arrangements with both industrialised and developing countries for many years. Development co-operation is both bilateral and multilateral in nature. The most important is with the European Union. Development co-operation between the EU and Ghana began with the first Lomé Convention in 1975. Since 1975 the European Commission (EC) has provided an estimated EUR 1.2 billion in development aid to Ghana. This has been allocated over the years for transport and infrastructure, agriculture and rural development, macroeconomic and budget support, governance and social sectors, environment and natural resources, trade and private sector development, and other activities such as technical co-operation and support activities. Currently, 40-50% of Ghana's official development assistance (ODA) is financed by the EU (European Commission and EU Member States). The EU, unlike the World Bank, the African Development Bank and some other major donors, provides the overwhelming majority of its ODA in the form of grants.

As Ghana is a member of the African, Caribbean, and Pacific (ACP) Group of States, the main source of its EC funding is the five-year European Development Fund (EDF), currently in its tenth edition (2008-13). For all the ACP countries together, a total of EUR 21 966 billion is available through the tenth EDF. Over the years, subsequent EDFs have funded a multitude of projects and programmes in Ghana to support rural development, infrastructure, water and sanitation, governance, private sector development and macroeconomic support. The selection of focal sectors (applying the principle of complementarity between development partners, and thus concentrating EC assistance in a limited number of sectors) is carried out once every five years, jointly between the EC and the Government of Ghana in a Country Strategy Paper (CSP) and ensuing multi-year National Indicative Programme (NIP).

Other stakeholders, such as civil society, ministries, departments and agencies (MDAs) and development partners, are systematically consulted during the preparation process. Throughout this process the EU is committed to the principle of "ownership", meaning partner countries are expected to set priorities for the strategies and programmes that affect them. The EU also aligns its CSP and NIP to the country's national development strategy. In Ghana this was the case with the Growth and Poverty Reduction Strategy (GPRS) for 2003-09. The current development framework, the Ghana Shared Growth and Development Agenda (GSGDA), is the framework in which development partners will operate in Ghana between 2010 and 2013.

A renewed EU development policy framework in support of inclusive growth and sustainable development, and aimed at increasing the impact of EU development policy, underpins the 11th EDF for 2014-20. This EDF has three main priority areas:

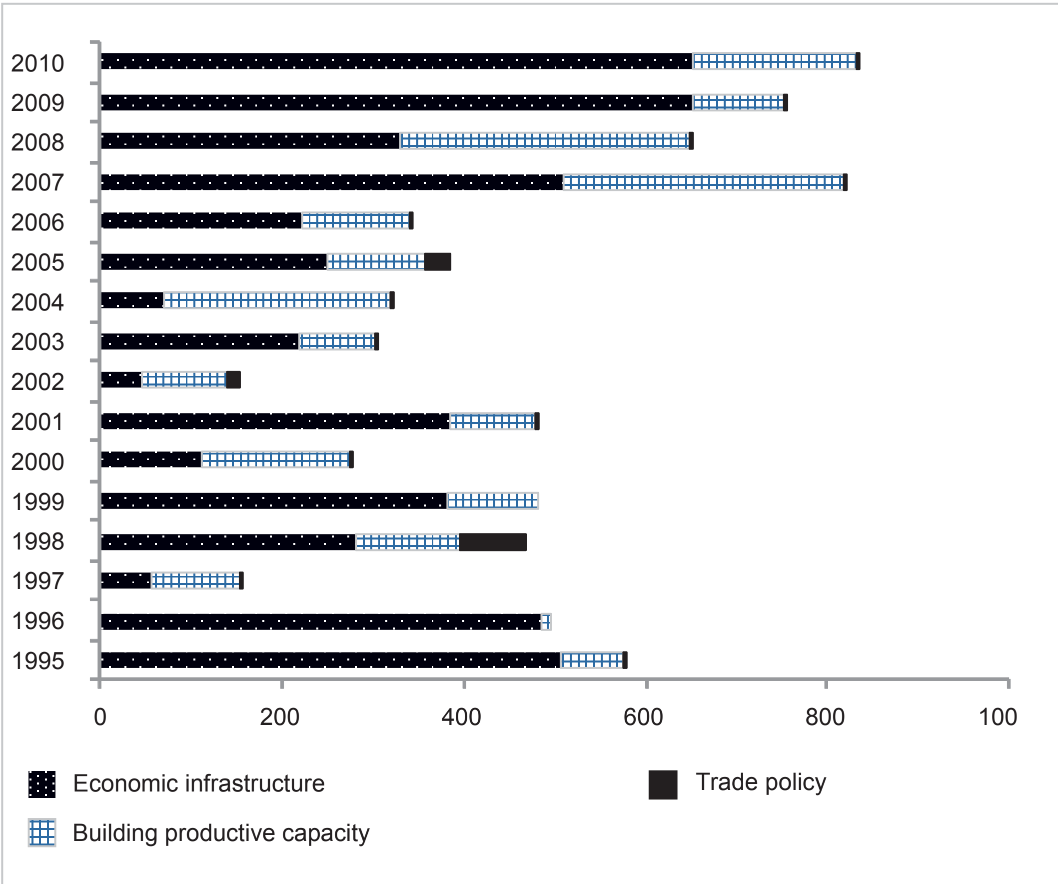
- good governance (democracy, human resources, gender, public financial management, public sector management, civil society, natural resources management);
- sustainable growth (key sectors are private sector development, trade, regional integration, agriculture and energy); and
- social inclusiveness (social and human development, i.e. health, education, social protection).

According to the EU, national development strategy provides a sufficient basis for implementing the programme. The GoG-DP Compact for Ghana's transition until 2022, based on GSGDA 2010-13, and the Ghana Aid Policy and Strategy 2011-15 are to serve as strategy documents.

Aid-for-trade flows

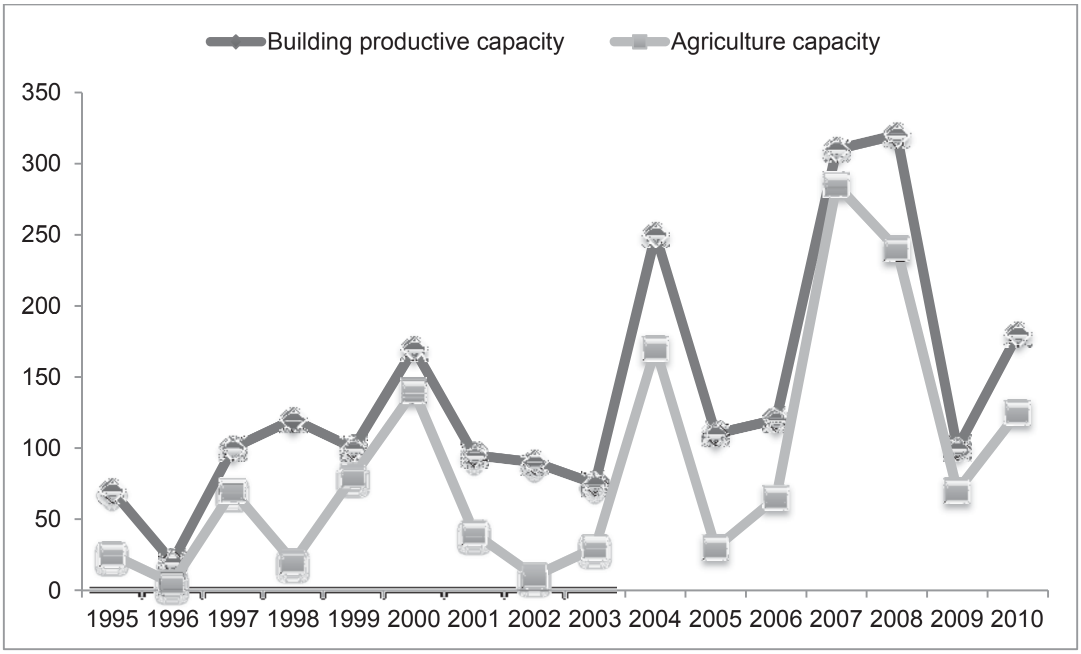
Ghana receives a significant amount of aid by African standards. Figure 4.7 shows ODA commitments, as captured by the OECD Creditor Reporting System (CRS), in three sectors often associated with aid for trade in 1995-2010. The bulk of AfT goes into economic infrastructure and building the productive capacities of the real sectors of the economy (such as agriculture). Except in the years 1995, 1998, 2002, 2003 and 2005, the agriculture sector received at least 50% of aid for building productive capacity (Figure 4.8). It received the highest percentage (93.6%) in 2007.

Figure 4.7 Gross ODA commitments (2010 USD million)



Source : OECD Creditor Reporting System Database.
http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.

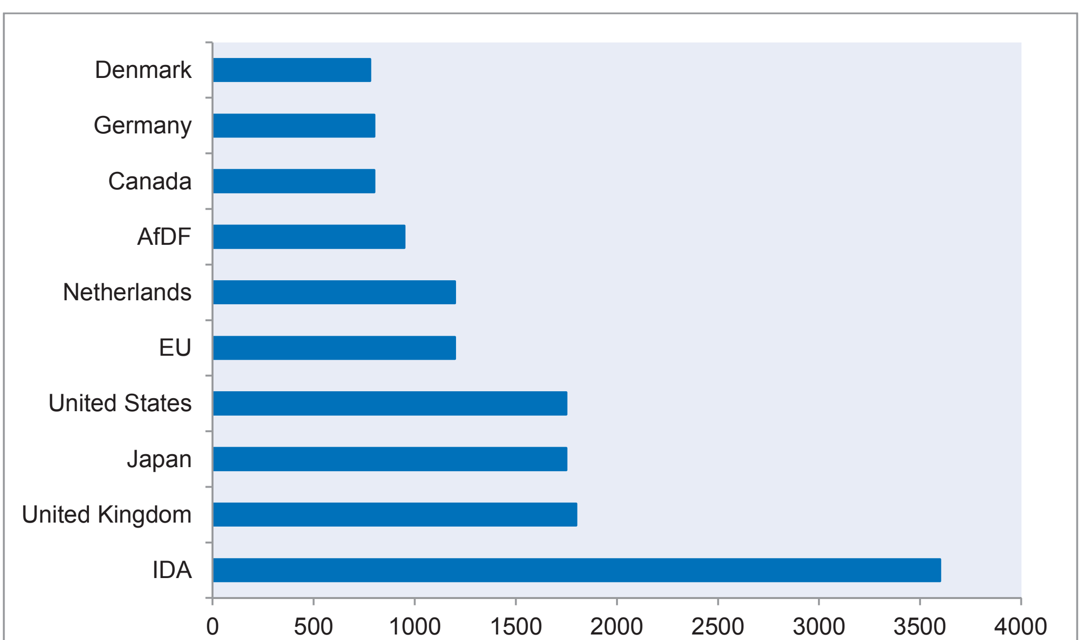
Figure 4.8 Agriculture's share of productive capacity aid for trade commitments (%)



Source : OECD Creditor Reporting System Database.
http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.

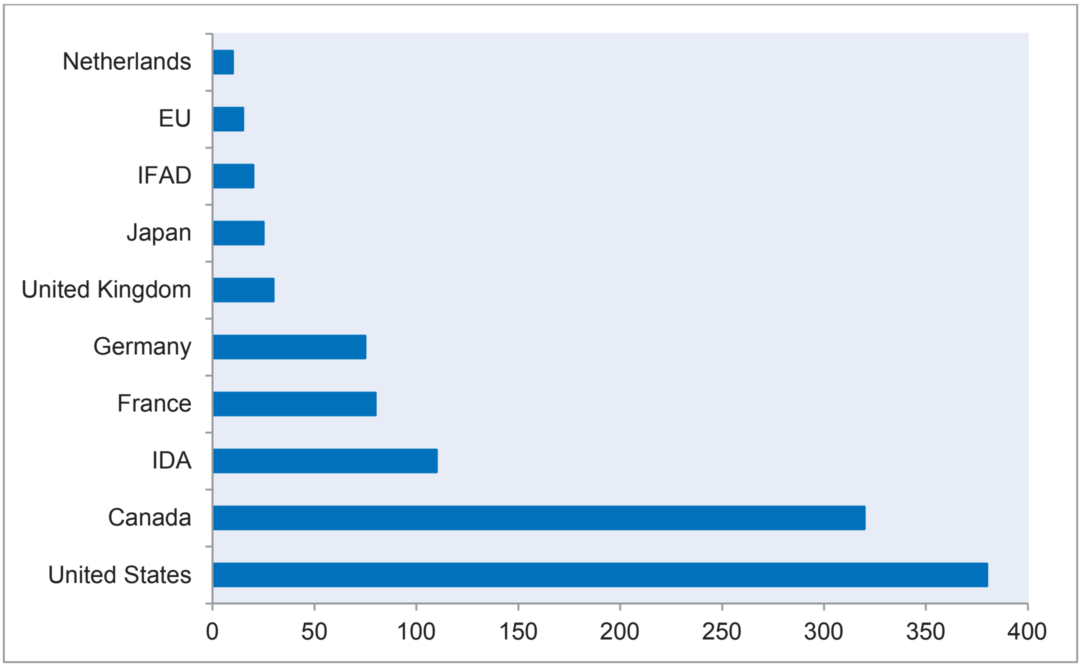
Figure 4.9 shows the top ten ODA donors (bilateral and multilateral) between 2001 and 2010. The top ten donors of aid for agriculture in this period are shown in Figure 4.10.

Figure 4.9 Top ten ODA donors (all sectors), 2001-10 (2010 USD million)



Source : OECD Creditor Reporting System Database
http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.

Figure 4.10 Top ten ODA donors (agriculture), 2001-10 (2010 USD million)



Source : OECD Creditor Reporting System Database
http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.

Donor activities in the agriculture sector

There is a significant donor presence in Ghana's agriculture sector. Both bilateral and multilateral donors are involved. Canada, Denmark, France, Germany, Japan, the United Kingdom and the United States are among the most important bilateral donors. In addition to the EU, multilateral assistance comes from institutions such as the African Development Bank (AfDB), the World Bank, and United Nations agencies such the Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP), as well as international NGOs.

Most donor projects and programmes are aligned with the country's development objectives in agriculture, as set out in the GSGDA/FASDEP documents. However, examination of their activities shows that only a few focus explicitly on activities with a trade element. For example, the German GIZ is engaged in the Market Oriented Agriculture Programme (MOAP), which is aimed at agricultural producers and other actors in the agriculture sector involved in processing and trade. The project's objective is to improve their ability to compete in national, regional and international markets. Components of the programme are: promotion of selected value chains; strengthening of private sector organisations; and improving service delivery of public sector institutions.

Similarly, USAID's Agricultural Development and Value Chain Enhancement (ADVANCE) programme aims to transform Ghana's agriculture sector through increasing competitiveness in domestic, regional and international markets. The components of ADVANCE are value chain competitiveness, market access and development, and access to financial services. The African Development Bank is also engaged in the Export Marketing and Quality Awareness Project. The goal of this project is to increase the export earnings of non-traditional agricultural products. Targeted products are pineapple, mango, pawpaw and vegetables. It is expected that the incomes of horticultural crop farmers and exporters of cassava products will be increased. Components of the project are: production and productivity enhancement; export marketing promotion and infrastructure improvement; capacity building; and project management and co-ordination.

Box 4.1 USAID agricultural activities in Ghana

Ghana is a "focus" country for the United States government-wide initiative; Feed the Future (FtF). The strategic focus is on commercialising staple crop systems such as rice, maize and soya, and improving the management of coastal resources such as marine fisheries. This approach includes closing yield gaps and reducing pre- and post-harvest losses, improving the efficiency of value chains, and strengthening regulatory system and policy frameworks to support regional trade. Investments in rural infrastructure and attention to improving access to financing are central to the strategy.

Activities

- The *Agriculture Development Value Chain Enhancement Program (ADVANCE)* is a four-year, USD 32 million programme (2009-13) designed to improve the competitiveness of key agricultural commodity value chains in domestic and regional markets, with a significant focus on the three northern regions.
- The Ghana Strategic Support Program (GSSP) has USD 17 million to focus on agricultural research and policy platforms that will ultimately modernise the agriculture sector, particularly staple crops, through 2013.
- Integrated Coastal and Fisheries Governance (ICFG) is a four-year, USD 10 million programme designed to assist Ghana to sustainably manage its coastal and marine ecosystems and improve the livelihoods and food security of coastal communities through 2013.
- Peace Corps volunteers will support agricultural production of maize, rice, and soybean, improve farmers' business and marketing skills, ensure a greater role for women, build bankable credit-worthy programmes, test alternative on-farm or processing energy options, and extend new technologies in Ghana's three northern regions through 2013.
- Business Sector Advocacy Challenge (BUSAC), a challenge fund with pooled funding from the Danish International Development Agency (Danida) and the EU, is receiving USD 4 million from USAID to work on improving the business environment in Ghana to facilitate private sector growth, including in the agriculture sector, through 2014.
- Monitoring, Evaluation, and Technical Support Services (METSS) is a three-year programme implemented by the United States Department of Agriculture (USDA) ending in 2013. METSS supports USAID/Ghana in the design and oversight of new programmes under FtF, provides direct technical support for the implementation of METASIP, and provides monitoring and evaluation services for both FtF and METASIP.

Source : Ministry of Food and Agriculture, Ghana – *www.mofa.gov.gh.*

Box 4.2 German development co-operation support for agriculture in Ghana

Overall context and objectives of the German development co-operation

Agriculture is one of three focal sectors of the German development co-operation. The overall objective of German involvement in the agriculture sector is to improve the income of the rural population by supporting value chain approaches, and to strengthen small-scale commercial farmers so they are able to compete in national, regional and international markets. Key issues are:

- improving productivity along agricultural value chains to increase competitiveness;
- increasing compliance with international quality and standard demands;
- recognizing the role of the private sector as a main driver of development;
- adapting the capacities of the civil service to the changing role of government; and
- improving access to finance by actors in the value chain.

Areas of strategic focus

The German government's support for the agriculture sector has two components: financial co-operation and technical co-operation.

The *financial co-operation* component provides innovative agricultural financing under the Programme for the Promotion of Perennial Crops and the Outgrower and Value Chain Fund. The objectives are:

- Improving access to medium- to long-term finance using market mechanisms in co-operation with the banking sector; and
- promoting outgrowers and their schemes, as well as the integration of smallholders into commercial agriculture.

The *technical co-operation* component, under the Market Oriented Agricultural Programme provides support in three key areas:

- support for specific value chains development and value addition;
- institutional and policy support to government; and
- support for private sector organisation and development.

Nine value chains have been supported (rubber, mango, pineapple, citrus, chili pepper, maize, guinea fowl, grass cutter and fish) in five regions of Ghana. In addition to processing companies, 5 800 farmers have been directly supported. Key achievements include increased income and gender participation, improved access to finance/markets, and job creation.

Source : Ministry of Food and Agriculture, Ghana – *www.mofa.gov.gh.*

Currently many other donors, bilateral and multilateral, including the *Agence Française de Développement* (AFD), the Canadian International Development Agency (CIDA), USAID, the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ), the International Fund for Agricultural Development (IFAD), the Japan International Cooperation Agency (JICA) and the World Bank, are engaged in various programmes and projects that support the agriculture sector in meeting both domestic and international objectives. They include food security, poverty reduction, and the ability to compete in national, regional and international markets.

Monitoring and evaluation of development programmes

Monitoring and evaluation (M&E) has served as an essential management tool under previous development strategies, such as GPRS I and GPRS II. This M&E framework has provided an additional impetus in the pursuit of policy, programme and project effectiveness, as well as ensuring accountability, responsiveness and transparency in the allocation of resources. The M&E system for the GSGDA is based on that of GPRS II. It has been designed to ensure the availability of reliable and comparable information at the national, regional and district levels for policy makers and planners. Institutional arrangements have been established for co-ordination of the system, including analyses and mode of reporting on impacts and outcomes of the GSGDA to different stakeholders (including the Government of Ghana), the private sector and civil society, as well as development partners.

This section discusses: the indicators for measuring outcomes of agriculture sector programmes; institutional arrangements for monitoring and evaluating projects and programmes, particularly in the agriculture sector; how the M&E system is functioning; and the extent of involvement of development partners. There is also an assessment of the challenges and constraints of the M&E system.

Indicators for measuring the outcomes of agriculture sector programmes

The focus of the agricultural development strategy under the GSGDA is to enhance the modernisation of agriculture in order to substantially contribute to the structural transformation of the economy. There is a set of indicators for the assessment of progress over time in relation to the agriculture sector objectives. While only a couple of indicators might be considered to focus directly on agricultural trade, achievement of other indicators may also have an indirect impact on trade. Thus, some indicators that might have an indirect effect on trade outcomes are also discussed. However, due to some differences between the GSGDA and FASDEP II, indicators from both documents are presented.

The GSGDA strategies for the agriculture sector that have a direct trade element are: (i) improving agricultural productivity; (ii) increasing agricultural competitiveness and enhanced integration into domestic and international markets; and (iii) promotion of development of selected (export) crops.

Specific indicators are:

- percentage change in output of production of selected crops;
- percentage change in output/yield per unit area (Mt/ha);
- total volume and value of agricultural commodities exported;
- total volume of cocoa produced (Mt);
- share of cocoa output processed locally; and
- tonnage of shea butter exported annually.

Other GSGDA strategies that do not explicitly have trade objectives, but might impact trade outcomes indirectly, include: reduction of production and distribution risks/bottlenecks in agriculture and industry; and improved institutional co-ordination.

Specific Indicators to measure progress on these fronts include:

- percentage change in number of outlets and sales points of agro-inputs;
- percentage change in agro-chemical imports;
- production of foundation seeds (Mt);
- fertiliser imports (Mt);
- tractor/farmer ratio;
- number of agricultural mechanisation services centres established;
- total number of famers trained in proper use and handling of farm machinery;
- extension officer/farmer ratio;
- total number of beneficiaries with access to various agriculture technologies;
- percentage of cultivated lands under irrigation;
- share of credit to agriculture, forestry and fishing by deposit money banks (excluding cocoa);
- percentage change in post-harvest losses;
- percentage of agriculture sector budget allocated to support extension services; and
- number of intra-sectoral and inter-ministerial co-ordination activities undertaken.

There is another extensive set of indicators under the objectives of FASDEP II. While similar in some cases to the GSGDA indicators, for the most part they are different. As above, indicators with expected direct and indirect trade impacts are discussed. The main trade strategy under FASDEP II is increased competitiveness and enhanced integration into domestic and international markets, similarly to the GSGDA. Indicators, which are quite different from those of the GSGSA, include:

- a 50% increase in exports of non-traditional agricultural commodities by men and women smallholders by 2015; and
- grading and standardisation systems for agricultural commodities (crops, livestock and fish) functional and effective by 2012.

Other FASDEP strategies that might have an indirect effect on trade and/or meet Ghana's other, broader development goals such as wealth creation and poverty reduction include: application of science and technology in food and agriculture development, improved institutional co-ordination (the same as the GSGDA), and increased growth in incomes. There are many indicators under these strategies. They include:

- a 25% increase in adoption of improved technologies by men and women along the value chain;
- laws and regulations to enhance the application of biotechnology in agriculture in place by 2011, and assessment of the country's biotechnology research potential by 2012;
- an increase in the number of agricultural technologies developed;
- research extension linkage strengthened and made functional;
- capacity for planning, policy analysis and M&E at national, regional and district level developed by 2015;
- communications strategy within MoFA developed and implemented by 2012;
- all cost centres within MoFA and relevant ministries, departments and agencies (MDAs) adequately resourced and capacities for electronic financial data capture and reporting and asset management built by 2011;
- human, material, logistics and skills resource capacity of all directorates of MoFA and relevant MDAs built by 2012;
- a joint platform for collaboration between MoFA and other MDAs established by the end of 2011;
- a platform for private sector and civil society engagement with MDAs established by the end of 2011;
- income from cash crop production by men and women increased by 20% and 30% respectively by 2015;
- efficient pilot value chains developed for two selected commodities in each agro-ecological zone;
- development of outgrower schemes and farmer-based organisations (FBOs) intensified and three-tier FBO structure achieved in all districts by 2015; and
- cost of transport of agriculture produce in rural areas reduced by at least 5% in areas where infrastructure has been improved.

While the FASDEP II is the main agriculture sector strategy and is expected to feed into the national framework (which is the GSGDA), there is a lack of harmonisation between the indicators for the two sets of documents. Only two of the components match somewhat. Under the GSGDA, the second component is "Increasing Agricultural Competitiveness and Enhance Integration into Domestic and International Markets" while under FASDEP II the third component is "Increased Competitiveness and Integration into Markets'. Even here the indicators are different, however, as shown above. The last component for each of them is "Improved Institutional Co-ordination". Here, too, there is a difference in the indicators.

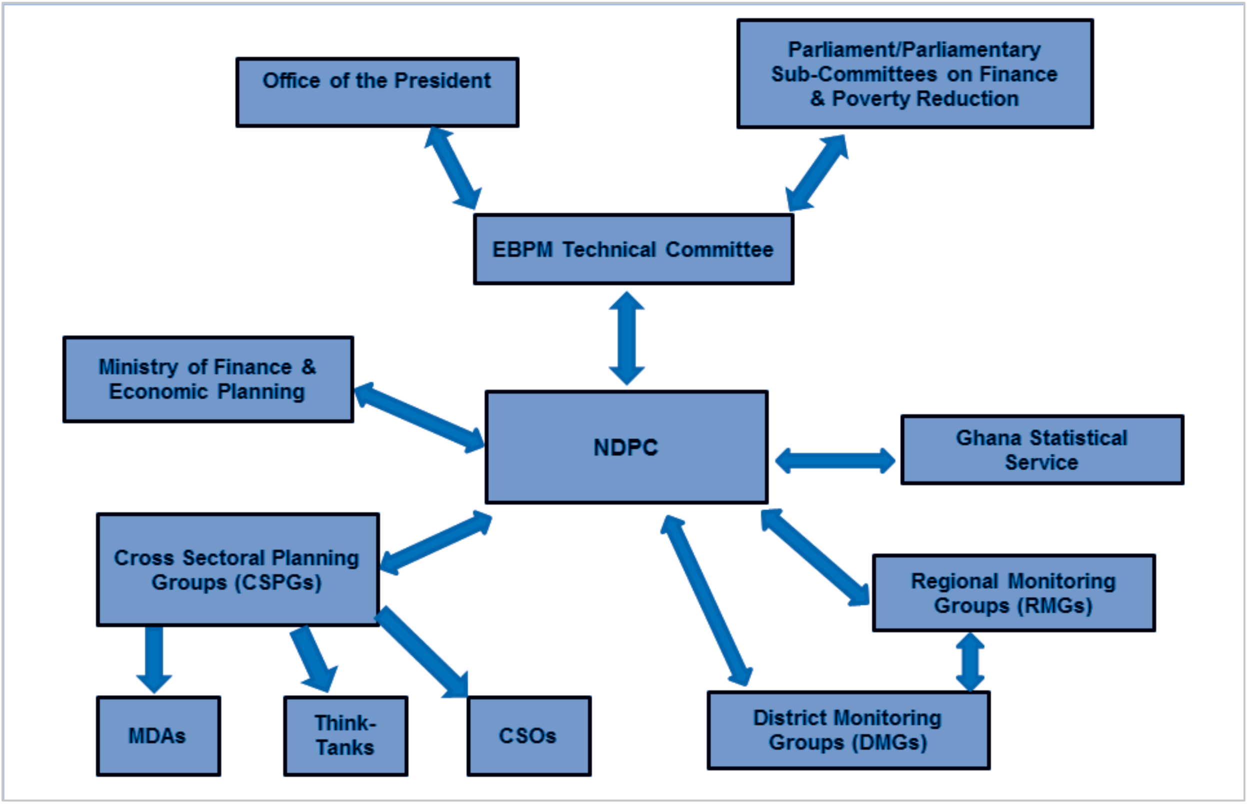
The monitoring and evaluation framework

National monitoring and evaluation arrangements

The institutional arrangements for the monitoring and evaluation of government policies and programmes are derived primarily from the country's political and administrative system, which is anchored in the country's constitution. Key institutions involved in the M&E system include the Office of the President, Parliament, the National Development Planning Commission (NDPC), MoFEP, the Ghana Statistical Service, the Policy Planning Monitoring and Evaluation Divisions (PPMEDs) of MDAs, Cross Sectoral Planning Groups (CSPGs), Regional Monitoring Groups, District Monitoring Groups, and civil society organisations. The National Development Planning Commission is expected to provide technical co-ordination of the system, in collaboration with MoFEP and the Ghana Statistical Service (GSS).

To ensure improved implementation of the M&E plan, the institutional arrangements currently in place give greater responsibility to the PPMEDs of MDAs and the Regional and District Monitoring groups. These institutions are required to monitor the key indicators and prepare annual reports on their performance. The NDPC will then collate, synthesise and harmonise these reports in a national Annual Progress Report (APR).Figure 4.11 shows the institutional arrangements in place to monitor and evaluate the implementation of national development policy.

Figure 4.11 National monitoring and evaluation framework



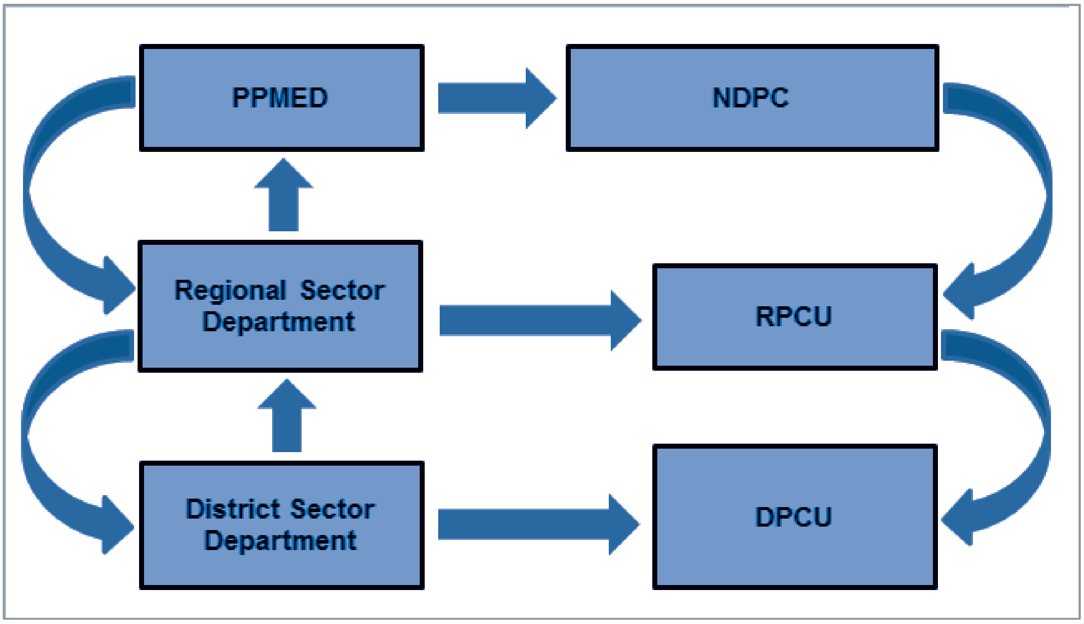
Source: GoG (2007b), National Monitoring and Evaluation Plan, 2006-09, NDPC, Accra, Ghana.

MoFEP, NDPC and GSS are the key government institutions responsible for ensuring proper functioning of the national M&E system. The success of the M&E system therefore hinges on how effectively these institutions play their co-ordination roles. Apart from these key institutions, there is the Cross Sectoral Planning Group (CSPG), comprising stakeholders from ministries, departments and agencies (MDAs), development partners (DPs), the private sector and non-governmental organisations and civil society organisations (NGOs/CSOs) at the national level. This is the framework within which Annual Progress Reports are prepared.

Sectoral monitoring and evaluation arrangements

Apart from the national M&E system, there is the sectoral M&E system. Key stakeholders involved in M&E at the sectoral level include MDAs (at regional and district levels), Regional Planning Co-ordinating Units and District Planning Co-ordinating Units. Development partners and civil society organisations are integral parts of all the groups operating at all levels, particularly with the advent of sector dialogues under the Multi Donor Budgetary Support (MDBS) arrangement. Figure 4.12 illustrates the structure for the sector M&E system.

Figure 4.12 Sector monitoring and evaluation framework



Source: GoG (2007b), National Monitoring and Evaluation Plan, 2006-09, NDPC, Accra, Ghana.

Responsibilities for M&E are different at each level of the structure. The PPMED has oversight and support responsibilities at the sector level. The Regional Sector Department (RSD) has an important function in providing the link between the districts and the national level. RSDs act as a major clearinghouse for validating and verifying information on projects and indicator achievements from the district level before they are received at the Regional Planning Co-ordinating Units (RPCUs) and the PPMED. The District Sector Department has direct responsibility for development and implementation of the District Sector M&E Work Plan, and for collating and co-ordinating feedback from the sub-district levels for onward transmission to the RSD.

Decentralised system of monitoring and evaluation

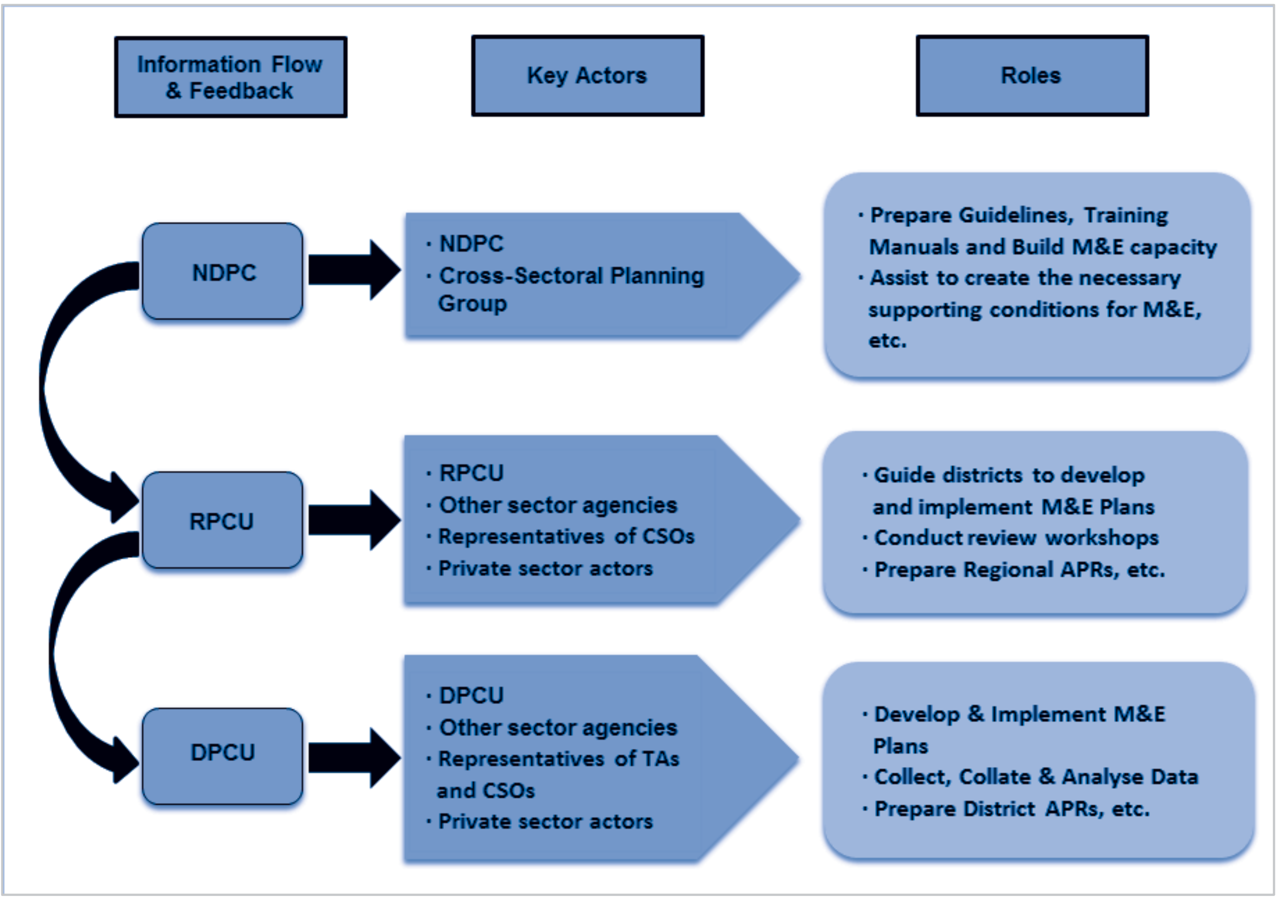
Another important component of the national M&E system is the District M&E system. It comprises the regional and district planning co-ordinating units.

Monitoring and evaluation functions of the RPCU The Regional Planning Co-ordinating Unit (RPCU) serves as a secretariat for the Regional Co-ordinating Council (RCC), carrying out its co-ordination, monitoring, evaluation, and harmonisation functions as specified under Section 8 of the National Development Planning (Systems) Act, 1994, Act 480. The RPCU is mandated to co-opt other sector agency heads, persons from the private sector and civil society organisations with expertise in a given field.

Monitoring and evaluation functions of the DPCU The District Planning Co-ordinating Unit (DPCU) assists the District Assembly in executing designated development planning functions. The National Development Planning (Systems) Act, 1994, Act 480 defines the DPCU's planning, programming, monitoring, evaluation and co-ordinating functions. The DPCU is mandated to co-opt representatives from other sector agencies, persons from the private sector, and civil society organisations with relevant expertise in a given area.

The responsibilities of the DPCU include liaising with RPCU to agree on goals and targets, and collecting and collating feedback from the sub-district levels for preparation of the District APR. The decentralised M&E institutional and reporting framework is summarised in Figure 4.13.

Figure 4.13 Decentralised monitoring and evaluation framework



Source: GoG (2007b), National Monitoring and Evaluation Plan, 2006-09, NDPC, Accra, Ghana.

In order to strengthen the capacities of the sectors, regions and districts to respond to current M&E needs at the national level, M&E guidelines have been developed for the sectors and districts to develop their respective M&E plans. This is to ensure that all sectors and districts prepare Annual Progress Reports on the implementation of their sector and district plans respectively, based on an agreed set of indicators.

Thus, the monitoring and evaluation of agriculture sector programmes and projects by MoFA follows the above three-tier framework. Actual outcomes of various agriculture sector indicators are collated at the district level by district statisticians and forwarded to the regional level for aggregation. The regional values are then aggregated to obtain the national level outcomes. The national level outcomes form the basis for the preparation of the Annual Performance Reports of MoFA, which also feed into the preparation of the GSGDA Annual Progress Reports.

Donor monitoring and evaluation and co-ordination

Donor monitoring and evaluation of agriculture sector projects and programmes occurs through three main channels: (*i*) Project reports; (*ii*) MoFA Annual Performance Reports; and (*iii*) Joint Sector Reviews (JSRs).

The JSR is an annual platform agreed in 2007 for key agriculture sector stakeholders to assess the extent of implementation of the METASIP and determine progress towards the achievement of expected outputs, outcomes and challenges of the agricultural sector. It also serves as a forum to make recommendations to feed into the medium-term planning and budgeting exercises, build a consensus on sector priorities, and inform future plans and budgets for MoFA and sector-related MDAs, as well as providing the focus for development partner support and private sector participation. The JSR was formed to assist with the harmonisation and alignment of development aid and the Agriculture Sector Wide Approach (SWAp) Agenda. The main actors in the JSR include MoFA (Ministers, Chief Director, National and Regional Directors, and other staff), development partners, other ministries, departments and agencies (MDAs), the private sector and civil society.

The first JSR was carried out in 2008. To date, five such reviews have been conducted. The JSR reviews the performance of the agriculture sector based on MoFA's Annual Performance Review report. Under the JSR, four working groups are constituted each year to deal with specific but revolving priority areas. For instance, in 2012 the priority areas were: sector performance in 2011 and achievement of policy/programme objectives and performance benchmarks; review of recommendations of MoFA policy initiatives, including fertiliser subsidy, the National Food Buffer Stock Company (NAFCO), Agricultural Mechanisation Service Enterprise Centres (AMSECs) and the block farm programme; review of policies/concepts to improve agricultural research and environmental sustainability; and agricultural finance and financial management. Discussions during the JSR centre on progress made in achieving targets set on agreed priority areas, what constraints and challenges were encountered, and recommendations for dealing with these constraints. Thus the reviews highlight areas in which significant achievements have been made and those where problems still persist.

From the above it can be argued that, by and large, donors use country systems for monitoring and evaluation and this takes place within the JSR. Despite this joint review system, however, some donors continue to use their own systems of monitoring and evaluation. For instance, in the areas of projects, CIDA uses a blend of its own and the Government of Ghana's M&E systems.

The Agricultural Sector Working Group (ASWG) is a policy dialogue platform for engaging the Government of Ghana and development partners in delivering on the agriculture sector objectives of the GSGDA (2010-13). The ASWG has a smaller membership than the JSR and meetings are held monthly and quarterly, while the JSR is an annual forum. The ASWG implements the recommendations of the JSR. Eleven OECD-DAC members currently take part in the ASWG. A number of development partners from philanthropic foundations, NGOs and civil society organisations participate in the dialogue process of the ASWG. The structure of the dialogue process is as follows:

- Multi Donor Budgetary Support (MDBS) consultations and negotiations are co-ordinated by MoFEP and the MDBS Core Group, based on prior consultation at the sector level.

- There are monthly meetings of the DPs Agriculture Sector Group, jointly chaired by rotating DP representatives and MoFA.

- Three thematic MoFA-DP sub-groups are chaired jointly by an MoFA Director and a DP for (a) policy, harmonisation and monitoring and evaluation (M&E) issues; (b) human resource, development and management; and (c) public finance and administration.

Apart from the above joint engagements, there are exchanges and dialogues between the individual DPs and MoFA on a broad variety of issues, from policy to implementation issues and the administrative requirements of individual DPs and their project implementation arrangements.

The ASWG platform offers the opportunity to jointly discuss the implementation of agriculture sector objectives and priorities, and to ascertain progress towards the achievement of expected outputs, outcomes and challenges of the agricultural sector and make clear and operationally focused recommendations on priority reforms/measures to feed into the medium-term planning and budgeting exercises. Achievement of consensus on priorities is to inform future plans and budgets for MoFA and sector-related MDAs and provide the focus for DP support and private sector participation. Co-ordination issues between DP programmes and between MDAs are also discussed. This helps to avoid duplication of efforts by DPs and MDAs and to narrow gaps in co-ordination and development efforts.

While stakeholders of the JSR generally agree that the forum offers the opportunity to harmonise donor and government programmes for the agriculture sector, very often recommendations arising from reviews have been observed to be repetitions from previous years. This development may be read as an indication of weak follow-up on and/or implementation of recommendations from the JSR, which might imply weak human and institutional capacities. It could also be an indication that some of the problems are structural in nature and cannot be overcome quickly and easily.

Challenges and constraints

Measuring aid for trade impacts is not an easy task. Any M&E system put in place to measure impacts and outcomes must therefore be well co-ordinated in order to function effectively. While the measurement of agriculture sector targets derives from well-structured national and sectoral M&E systems, there is weak co-ordination among the three key ministries: MoFA, MoFEP and MoTI. Interactions with some officials from these three ministries do not point to the existence of a well co-ordinated system for these three ministries with respect to aid for trade in agriculture. There is a lack of appreciation of critical linkages between these ministries.

One key M&E challenge from the perspective of MoFA is human and financial capacity constraints. Very often there is inadequate provision by the GoG budget to cover critical costs not eligible for financing by DPs. The inadequacy of the agricultural data collection process and the unreliability of available data have constituted a serious M&E challenge for the agriculture sector. On the part of donors, challenges to the M&E system include: (*i*) lack of data analysis; (*ii*) over-ambitious targets; (*iii*) national M&E systems that put little emphasis on evaluation; and (*iv*) national M&E systems that do not link performance results with budgeting.

MoFA, which is the ministry in charge of agriculture sector policies and programmes, does not seem to have a firm focus on aid for trade. In the same vein, some donors do not explicitly focus on aid for trade in their programmes. However, MoTI is very much in the picture regarding aid for trade. It would therefore be useful for MoTI to collaborate more effectively with MoFA in order for Ghana to achieve the desired results from aid for trade.

According to MoFA, there is currently a matrix of 58 indicators for measuring the objectives of the FASDEP II/METASIP. These indicators are not only numerous, which makes monitoring and evaluation difficult, but to measure the impact of aid for trade adequately more focused indicators would need to be developed to measure its trade impacts. Moreover, there seems to be a lack of harmonisation between the indicators for the GSGDA and FASDEP II agricultural strategies.

Managing aid for trade for results

Ghana receives substantial amounts of aid in the agriculture sector. This aid can go a long way towards improving the sector's productive capacity in order to achieve both domestic and international market objectives. (Improving export competitiveness and diversifying and increasing exports and markets is one such international market objective). Thus, trade is mainstreamed in development policy. While trade features prominently in the GSGDA and aspects of Ghana's trade policy are embedded in it, the country does not currently have a coherent aid-for-trade strategy in place to ensure that aid flows into the agriculture sector have the desired impact on Ghana's agricultural trade, and that the impacts and outcomes can be adequately ascertained. While there is a significant donor presence in Ghana's agriculture sector and many projects and programmes are largely aligned with the country's development objectives in agriculture (as set out in the GSGDA/FASDEP documents), examination of these activities indicates that only a few donors focus explicitly on activities with a trade element. While the GSGDA and FASDEP II have some agriculture trade-related indicators, there is a lack of harmonisation between these indicators.

Apart from the national M&E framework, which also applies to the agriculture sector to enable the measurement of outcomes based on pre-determined agriculture sector indicators, considerable co-ordination exists between MoFA and development partners. Co-ordination largely takes place within the annual joint sector reviews. However, missing from the five JSRs carried out to date have been discussions concerning the impact of donor support on agriculture trade outcomes. There are many ongoing donor activities in the agriculture sector, but most lack direct trade objectives. Apart from the fact that the trade impacts of aid may not be a direct objective of many donors[3] MoFA's indicators, as derived from agriculture sector policy objectives, tend to focus more on domestic outcomes. For instance, increasing food production and ensuring food security is one often highlighted objective. Many donors, including CIDA, are increasingly involved in helping the country achieve such objectives. Another reason for few discussions concerning the impact of donor assistance on trade is that MoFA's objectives have also focused more on reducing imports of agriculture products (e.g. rice) than pursuing an export agenda.

In 2011 Ghana introduced an aid policy, the Ghana Aid Policy and Strategy, which spans the period 2011-15. This policy was developed in "response to available evidence showing that recipient country policies and procedures, human capacity, economic management and institutional arrangements determine to a large extent the optimal allocation of aid and its impact on growth and poverty reduction" (Government of Ghana, 2011) The policy was fashioned out of the objectives of the Paris Declaration on Aid Effectiveness, 2005, and the Accra Agenda for Action, 2008. The aim of this aid policy is to ensure that aid is managed and monitored properly, i.e. to ensure effectiveness and co-ordination by aligning external aid with national development priorities.

The aid policy spells out some measures to ensure effective monitoring and evaluation of aid in general, and can thus serve as minimal framework for introducing trade objectives and indicators to measure the impact of aid for trade. The ingredients that go into this should include Ghana's own targets, as defined in its policies and the nature of aid-for-trade flows. It is also important to identify targets that can be monitored without expending too many resources – both human and financial. The mechanism should reflect donors' views on mutual accountability.

For an aid-for-trade strategy in agriculture to work, there is a need to strengthen intra-sectoral and inter-ministerial co-ordination through a platform for joint planning. Thus, there is a need to review the development and implementation of a communication strategy to improve institutional co-ordination, as well as to create and strengthen the framework for co-ordinating activities among all stakeholders in the sector. This should include the identification by each ministry of agricultural content in its strategic policy. The strategy should therefore create effective internal co-ordination linkages among the three key stakeholders (MoFA, MoFEP and MoTI) on the one hand, and between these ministries and development partners on the other, to ensure effective monitoring and evaluation for results. Lastly, it is important to develop more focused indicators to measure the trade impacts of aid. Indicators could include increases in the diversification of agricultural exports, in export earnings and the number of export markets, and in the proportion of processed (value-added) agriculture products.

Conclusion

This report has assessed the mechanisms for monitoring and evaluating outcomes of aid flows into the agriculture sector of Ghana. Given the substantial amount of aid flowing into productive sectors, including agriculture, and the political demand for results from such interventions, it is important that adequate structures are put in place to ensure adequate measurement of impacts and outcomes. For this to happen, there is a need for a coherent aid-for-trade strategy to ensure that aid flows into the agriculture sector have the desired impact on Ghana's agricultural trade and that the outcomes are adequately measured.

The existing M&E system shows weak co-ordination among the Ministry of Food and Agriculture (MoFA), Ministry of Finance and Economic Planning (MoFEP) and Ministry of Trade and Industry (MoTI). Interactions with some officials from these three ministries do not point to the existence of a well co-ordinated system for the three ministries in terms of aid for trade in agriculture. In other words, there is a lack of appreciation of critical linkages between these ministries. Mutual accountability for resource flow and the achievement of results makes it imperative to strengthen existing M&E systems for trade results. Further mainstreaming aid for trade into Ghana's development agenda would improve monitoring and evaluation.

Notes

1. Gold accounts for about 98% of total mineral export earnings.
2. Measured by the Herfindahl-Hirschman Index.
3. CIDA, for instance, has indicated that aid for trade is not its area of focus.

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Chapter 5

Managing aid for trade and development results in Vietnam

The case study of Vietnam highlights that market reform and market opening during the last two decades have resulted in an average annual growth rate of around 7%. Viet Nam has set out its vision for bringing the development agenda forward in the ten-year Socio-Economic Development Strategy and the five-year Socio-Economic Development Plans. The monitoring and evaluation of these plans in general, and the public investment resources (including ODA) in particular, have been established but are still far from complete. The case study finds that this is due to the decentralised public management systems, the complexity of performance indicators, and the limited capacity for collecting quality data in a timely, reliable and consistent manner. The concept of managing for development results is more popular at the national level than at the sub-national and sectoral levels. In fact, local authorities are less enthusiastic about adopting a results-based approach due to the lack of knowledge, technical skills, and resource constraints. Thus, the study concludes that there is especially a need to strengthen the institutional capacity for introducing the results-based framework in the development planning at the national, sub-national and sectoral level in general and in aid for trade in particular.

Viet Nam's economic growth performance in the last two decades can be considered one of the most spectacular in the developing world. In the past two and half decades the country has achieved an average annual growth rate of around 7%. The main reason is its adoption and implementation of market reforms and opening to the world economy. Despite impressive achievements in growth, trade and development during the last two decades, Viet Nam faces a number of trade-related problems and constraints. Underdeveloped infrastructure, weak capacity to handle new and complicated management issues, relatively high costs of doing business, and a low level of skills are among the constraints it needs to overcome to ensure sustained development.

Viet Nam has a clear vision for bringing the development agenda forward. The ten-year Socio-Economic Development Strategy (SEDS) and the five-year Socio-Economic Development Plans (SEDPs) at national, sectoral and provincial levels are important policy documents to realise this vision. Their goals and objectives are good but ambitious. Co-ordination has been improving, but remains inadequate. The monitoring and evaluation of the SEDP in general, and public investment resources in particular, have been established in recent years but are still far from success. This is due to the decentralised public management systems, the complexity of performance indicators, and the capacity for collecting quality data in a timely, reliable and consistent manner. Though awareness has been monitoring and evaluation of the SEDP using Managing for Development Results (MfDR) is seen as more popular at the national level than at the sectoral and sub-national levels due to lack of knowledge, methodologies and technical skills, as well as capacity and resource constraints. Local planning authorities seem less enthusiastic about adopting a results-based approach in their work due to the complexity of the concept, the costs and time requirements of data collection, and possible inconsistencies between data concepts at the national and local levels in some cases.

The year 2006 is regarded as the starting point for the adoption of MfDR by the Government of Viet Nam, in order to monitor and evaluate the SEDP 2006-10 through the issuance of Decision 555 of the Ministry of Planning and Investment (MPI, 2007b). The technical guidance manual for sub-national levels was then developed and applied in pilot provinces. The results-based approach was also piloted in a number of line ministries, such as the Ministry of Agriculture and Rural Development (MARD) and Ministry of Industry and Trade (MOIT), with an encouraging start and possible replication for a future results-based management framework, in particular for aid for trade.

Donors' alignment with the government's strategy has been well received, but requires a more effective and flexible mechanism so that the comparative advantages of each donor can be fully exploited and co-ordination and harmonisation become smoother. The Aid Effectiveness Forum can be a good platform to provide further support and strengthening for such co-operation. Many donor projects have successfully applied the intervention logics in project design, implementation, and monitoring and evaluation. There is, however, a missing link between the "intermediate outcomes" and "final outcomes" of these projects. Closing this gap and making the results-based framework more visible and effective is essential to improve the development outcomes of donors' efforts. From the government's perspective, there is a need to improve institutional capacity for mainstreaming the results-based framework in national development planning in general and aid for trade in particular.

Introduction

Viet Nam is a country in transition and its status has just changed from a less developed country to a middle income country (MIC). During the last three decades Viet Nam has experienced a dramatic transformation, moving from a traditional centrally planned economy, isolated from most of the world, towards a more open, market-oriented economy. One of the most striking features has been its rapid growth, impressive expansion of trade and investment with the rest of the world, and significant poverty reduction. Viet Nam has achieved an average growth rate of more than 7% per annum in the last two decade. Both exports and imports grew by around 20% per annum on average during this period. Foreign direct investment (FDI) grew from nearly USD 1 billion in 1990 to 20 billion in 2010. At the same time, poverty has been reduced significantly, from 58% in 1993 to 14.5% in 2008. During this period the country has deepened its economic integration with the world, engaging in a number of bilateral, multilateral and regional trade and investment activities. This has helped to expand its trade and investment linkages, facilitate domestic reforms, and improve governance and the competiveness of the economy.

Despite impressive achievements in the last two and half decades Viet Nam faces a number of challenges to ensure sustainable development. The serious macroeconomic turbulence it experienced after its WTO accession, when inflation reached the record level of 23% per annum in 2008, concerns about the effectiveness of the state sector and public investment, and continuing trade deficits are just a few examples that demonstrate how serious and real these challenges are. In addition, Viet Nam faces a number of governance issues and supply-side bottlenecks. There is an intensive debate over the effectiveness of both public investment and ODA in Viet Nam as it is facing the major challenge of restructuring its economy, the banking system and state-owned enterprises (SOEs). A results-based management approach carefully designed to reflect the link between resources, activities, objectives and performance indicators within a coherent, consistent framework could help to better monitor and evaluate public resources (including ODA) for development objectives, and hence improve the competitiveness and sustainability of the economy as a whole.

This report is organised as follows: Section 1 reviews Viet Nam's economic development and its trade performance in the last two decades. This section also highlights key challenges it faces at this new stage of development and how the country's development strategy has been designed to deal with these challenges. Section 2 looks at donor assistance to Viet Nam, since ODA resumed in the early of 1990s, assessing its contribution to the country's development and its alignment and co-ordination with Viet Nam's development objectives and vision. Section 3 reviews the existing mechanism of managing development results in the context of the country's development planning. It shows, in particular, that an encouraging start in this area has been made in the national five-year Socio-Economic Development Plans, as well as through some sectoral planning at the ministerial level. However, this section also shows that much needs to be done before an effective results-based framework for development results can be introduced and institutionalised. Section 4 provides some specific recommendations to both the government and donors to join their efforts in order to establish a much needed Managing for Development Results framework.

Economic development, trade performance

Viet Nam's economic growth performance in the last two decades can be considered one of the most spectacular in the developing world. During the past two and half decades the country has achieved an average annual growth rate of around 7%. The main reason for this growth is its adoption and implementation of market reforms and opening to the world economy. Table 5.1 shows the annual growth rate of GDP and its components by sectors (agriculture, industry and services) in the period 1990-2008. Industry is the fastest growing sector, while agriculture is the slowest despite its impressive average annual growth rate of 4%. Industry's share in total GDP increased from 25.2% in 1990 to 41% in 2010. Both the agriculture and services sectors have seen their shares in GDP decline. Agriculture, in particular, has lost its relative importance in GDP, as its share dropped from nearly 32% in 1990 to less than 20% in 2010. This rapid decline in the agriculture sector's share in GDP is a clear indicator of the country's strong pace of industrialisation.

The annual growth rate of industrial output accelerated from 13.4% in the period 1996-1999 to 22% during the last ten years. The manufacturing sub-sector grew much faster than the mining sub-sector and those sectors which are technically more advanced, such as electronic equipment; computer and communication equipment tended to show higher output growth rates than the others. Export-oriented industries such as garments and footwear showed even stronger growth in the early years of the decade, before the global financial crisis in 2008 (Vu, 2009). Therefore, in terms of output growth, Viet Nam seems to have succeeded in taking bold steps towards industrialisation and modernisation. A temporary drop in industry's share in 2010-11 reflects the macroeconomic turbulence the economy has experienced in recent years due to both external and internal factors such as the global financial crisis and domestic problems with the banking sector and SOEs at that time.

Table 5.1 Viet Nam's GDP growth rate and composition, 1990-2011

	Annual growth rate (%)				Share in GDP (%)		
Year	GDP	Agriculture	Industry	Services	Agriculture	Industry	Services
1990-99	7.4	3.9	10.6	7.7	30.2	28.9	40.9
2000	6.8	4.6	10.1	5.3	24.5	36.7	38.7
2001	6.9	3.0	10.4	6.1	23.2	38.1	38.6
2002	7.1	4.2	9.5	6.5	23.0	38.5	38.5
2003	7.3	3.6	10.5	6.5	22.5	39.5	38.0
2004	7.8	4.4	10.2	7.3	21.8	40.2	38.0
2005	8.4	4.0	10.7	8.5	21.0	41.5	37.5
2006	8.2	3.7	10.4	8.3	20.4	42.0	37.6
2007	8.5	3.8	10.2	8.8	20.3	42.0	37.7
2008	6.2	4.1	6.1	7.2	22.2	40.4	37.4
2009	5.3	1.8	5.5	6.6	20.9	40.8	38.3
2010	6.8	2.8	7.7	7.5	20.6	41.6	37.8
2011	5.9	4.0	5.5	7.0	22.0	40.8	37.2

Source: General Statistics Office (2012).

Trade has been an engine of growth for Viet Nam during the last two decades. Its total volume of trade with the world increased from USD 5 billion in 1990 to as much as USD 205 billion in 2011, of which USD 97 billion in exports and USD 107 billion in imports. All the major trading partners, including ASEAN, China, the EU, Japan, the Republic of Korea and the United States, have seen their trading links with Viet Nam grow rapidly (Table 5.2). The total volume of trade between Viet Nam and the United States, for example, increased from just USD 730 million in 2001 to USD 17 billion in 2011 (GSO, 2012). This surge in trade is a result of the bilateral trade agreement the two countries signed in 2001, which provides better market access for Vietnamese goods and facilitates domestic reforms to improve Viet Nam's business environment and competitiveness (STAR, 2008).

Table 5.2 Viet Nam's trade with key trading partners, 2005 -2011 (USD million)

	2005	2006	2007	2008	2009	2010	2011
Imports (annual growth rate, %)	**15.0**	**22.0**	**39.9**	**28.5**	**-14.7**	**22.1**	**15.0**
ASEAN	9 326	12 547	15 908	19 568	16 461	16 408	20 900
China	5 900	7 391	12 710	15 974	15 411	20 019	24 594
EU	2 581	3 129	5 142	5 582	5 343	6 362	7 500
Hong Kong, China	1 235	1 441	1 951	2 633	2 121	860	970
Japan	4 074	4 702	6 189	8 240	6 836	9 016	10 400
Republic of Korea	3 594	3 908	5 340	7 255	6 708	9 761	13 176
Chinese Tapei	4 304	4 825	6 947	8 363	6 113	6 977	8 557
United States	863	987	1 701	2 647	2 711	3 767	4 529
Exports (annual growth rate, %)	**22.3**	**22.8**	**22.1**	**29.0**	**-9.7**	**26.5**	**22.3**
ASEAN	5 744	6 633	8 110	10 338	8 761	10 351	13 600
China	3 228	3 243	3 646	4 850	5 403	7 309	11 125
EU	5 517	7 094	9 096	10 896	9 402	11 386	16 500
Hong Kong, China	353	453	583	877	1 034	1 464	2 206
Japan	4 340	5 240	6 090	8 468	6 336	7 728	10 781
Republic of Korea	664	843	1 243	1 794	2 078	3 092	4 715
Chinese Tapei	935	969	1 139	1 401	1 121	1 443	1 843
United States	5 924	7 845	10 105	11 887	11 407	14 238	16 928

Source: General Statistics Office (2011).

Viet Nam has not only increased its trade volume, but also shows great improvement in diversifying its commodity exports' composition and market destination. The export diversification index, measured by the Herfindahl-Hirschman Index concentration ratio, fell from 0.033 in 2000 to 0.016 in 2010. The export diversification index within each major export market also improved in recent years (Table 5.3). Recent trade data show that Viet Nam is starting to gain its position in the global electronics production network with the presence of Intel, Samsung and others in the country helping to increase both exports and imports of these products and their components (Vu *et al.*, 2012).

Table 5.3 Export diversification index, measured by the Herfindahl-Hirschman concentration ratio, 2000 - 2010

Year	All Viet Nam's exports	ASEAN	China	EU12	Japan	Republic of Korea	United States
2000	0.033	0.288	0.630	0.218	0.122	0.078	0.160
2001	0.030	0.293	0.549	0.231	0.104	0.088	0.198
2002	0.027	0.265	0.465	0.234	0.096	0.100	0.129
2003	0.028	0.293	0.378	0.224	0.097	0.077	0.162
2004	0.027	0.299	0.496	0.196	0.096	0.069	0.143
2005	0.028	0.334	0.436	0.178	0.099	0.068	0.122
2006	0.025	0.292	0.217	0.140	0.096	0.066	0.114
2007	0.022	0.227	0.170	0.125	0.100	0.073	0.117
2008	0.020	0.164	0.200	0.128	0.143	0.066	0.116
2009	0.017	0.160	0.173	0.117	0.094	0.092	0.119
2010	0.016	0.119	0.141	0.113	0.087	0.077	0.115

Source: Authors' calculations using Global Trade Information Services (GTIS) data.

Trade-related constraints

Despite the achievements in growth, trade and development during the last two decades, Viet Nam's continues to face a number of trade-related problems and constraints. Its future development and trade performance, in particular, will depend on how successfully the country can deal with these constraints. The Socio-Economic Development Strategy (SEDS) has pointed out that: *There remain limitations and inefficiency in the planning, mobilisation and utilisation of resources; investments are scattered; there are many weaknesses in state management…. Economic growth relies greatly on extensive factors and the shift to intensive development remains slow….. Problems with market economy institutions, human resources quality and infrastructure continue to be bottlenecks to development (CPV, 2011).*

Many of these weaknesses are revealed in the World Bank's *Doing Business 2013* report, as shown in Table 5.4. The Ease of Doing Business index measures an economy's business environment based on ten topics: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency. In the last couple of years, there has been encouraging improvement in making doing business easier in Viet Nam. The time required to start a business fell from 39 days in 2010 to 34 days in 2012. The costs of doing business (e.g. business registration, getting construction permits, electricity) all fell substantially. Transportation costs for imports also declined from USD 645 per container in 2010 to USD 600 in 2012. Despite this progress, Viet Nam still lags behind other countries in the region in regard to most other indicators. While many improvements were observed in Viet Nam in recent years in terms of simplifying export-import procedures, the time spent on some these activities remains high for the region. It requires on average 21 days for exports and the same for imports. While the cost to import has been reduced and is quite low compared to other countries in the region, the cost to export remains relatively high, increasing from USD 555 per container in 2010 to USD 610 in 2012 (World Bank, 2012).

Table 5.4 Cost of doing business

	Indonesia	Malaysia	Philippines	Thailand	Viet Nam 2012	Viet Nam 2010
Starting a business						
Time (days)	47	6	36	29	34	39
Cost (% of income per capita)	22.7	15.1	18.1	6.7	8.7	13.3
Getting electricity						
Time (days)	108	46	50	35	115	115
Cost (% of income per capita)	1244	53.9	833	75.3	1 988	3274
Paying taxes						
Time (hours per year)	259	133	193	264	8 72	1050
Total tax rate (% profit)	34.5	24.5	46.6	37.6	34.5	40.1
Trading across borders						
Time to export (days)	17	11	15	14	21	22
Cost to export (USD per container)	644	435	585	585	610	555
Time to import (days)	23	8	14	13	21	21
Cost to import (USD per container)	660	420	660	750	600	645

Source: World Bank (2012).

Viet Nam's global competiveness also needs improvement. Its ranking in the *Global Competitiveness Report* dropped from 59 in 2010-11 to 75 in 2012-13 (Table 5.5). The quality of its overall infrastructure is improving, but other indicators have fallen in recent years with the exception of mobile phone subscriptions and available airline seats. The quality of roads, ports and electricity supply was ranked very low and was declining. The competiveness of Vietnamese firms remains low, as indicated, for example, by the low quality of local supplier quality, nature of competitive advantage, and production process sophistication. The report for 2012-13 ranks Viet Nam's nature of competitive advantage at 139 out of 144 economies. While local supplier quality is ranked 99, local supplier quantity is ranked much higher (38). Value chain breadth, which measures the degree to which a country's exporting companies are primarily involved in resource extraction or production rather than performing higher level functions such as product design, marketing, sales, logistics and after-sale services, is also ranked very low (114), a drop from 76 two years before (WEF 2010, 2012).

Table 5.5 Selected indicators of global competitiveness

Infrastructure quality and business sophistication rankings, 2011-12 and 2012-13

Indicators	Rank		Value		Change in value (%)
	2010-11	2012-13	2010-11	2012-13	
Global Competitiveness Index	59	75	4.3	4.1	-3.9
2nd Pillar: Quality of Infrastructure	83	95	3.6	3.3	-6.1
Quality of overall infrastructure	123	119	3.0	3.2	6.6
Quality of roads	117	120	2.7	2.7	-0.7
Quality of railroad infrastructure		68		2.6	
Quality of port infrastructure	97	113	3.6	3.4	-4.3
Quality of air transport infrastructure	88	94	4.2	4.1	-1.7
Available airline seat km/week, millions	36	33	493.4	674.5	36.7
Quality of electricity supply	98	113	3.6	3.1	-13.6
Mobile tele. subscriptions/100 pop.	58	18	100.6	143.4	42.6
Fixed telephone lines/100 pop.	35	86	34.9	11.5	-67.1
11th Pillar: Business Sophistication	64	100	4.0	3.6	-10.2
Local supplier quantity	61	38	4.9	5.0	2.8
Local supplier quality	91	99	4.1	4.1	-1.3
State of cluster development	13	36	4.9	4.2	-13.1
Nature of competitive advantage	110	139	2.8	2.5	-10.0
Value chain breadth	76	114	3.4	3.0	-13.0
Control of international distribution	72	108	4.0	3.6	-9.2
Production process sophistication	69	118	3.6	3.0	-16.8
Extent of marketing	51	110	4.4	3.5	-21.7
Willingness to delegate authority	64	105	3.6	3.3	-10.4

Source: World Economic Forum, Global Competitiveness Report (2010, 2012).

Concerning trade performance and competitiveness, much need to be done to ensure more value for (and from) trade. While Viet Nam is considered to have a high level of openness and there are good signs of export diversification in recent years, exports remain basically resource-intensive with low value addition (CIEM, 2010). Most export items, especially agriculture-related ones, are very vulnerable to external price and demand shocks and there is no risk management mechanism in place to address these shocks. Lack of market information and underdeveloped logistical support also seriously undermine trade performance. Rigid exchange rate control and rising labour costs, in tandem with a shortage of skilled labour, are further eroding the country's international competitiveness.

The Government of Viet Nam (GoV) is well aware of these weaknesses in the economy and the challenges it faces in the new development context. The five-year Socio-Economic Development Plan 2011-15, for example, explicitly points out that the current system of infrastructure has failed to meet requirements and has hindered economic development: "*The transportation network was incomplete and of low quality without modern highways, seaports, river ports and airports. Road quality was very low and outdated. Seaports were not capable of receiving large vessels. Traffic congestion* *was found to be very common in big cities and key economic regions. The overcrowding at seaports and airports remains serious. The electricity sources and grid did not meet the requirements of production and people's lives"* (GoV, 2011b).

The report also recognised that "institutional capacity building, management, administration and law enforcement were weak. The co-operation and co-ordination among agencies and levels was not close and effective." There are serious problems with co-operation and co-ordination among agencies and levels, with considerable overlapping in functions and responsibilities of government agencies undermining the state management's efficiency and effectiveness (GoV, 2011b).

The development strategy

Recognising the important role of trade as an engine for Viet Nam's growth and development, the Government of Viet Nam is implementing a policy of "proactively and actively integrating into the international community" (SEDS, 2011). The government's development vision in general and its vision for trade development in particular are reflected in its ten-year Socio-Economic Development Strategy (SEDS) 2011-20, whose objective is to make Viet Nam a modern, industrialised country by 2020. This strategy identifies three areas for "breakthroughs" to achieve this goal: improving market institutions; promoting human resources/skills development (particularly skills for modern industry and innovation); and infrastructure development (CPV, 2011).

As a further step towards implementing the Socio-Economic Development Plans and Socio-Economic Development Strategies, the Ministry of Industry and Trade (MOIT) has developed the Master Plan for Trade Development, which is aimed at accelerating trade links with the rest of the world. The Master Plan sets out the following major objectives, among others:

- accelerate the export and import of goods through expanding markets and sustainable development of industries and sectors;
- foster negotiations with trading partners to improve market access for Vietnamese goods, taking advantage of economic and trade co-operation programmes with ASEAN members, China, and other major trading partners such as the EU, Japan and the United States; and
- develop various supporting activities, develop a system to provide enterprises with information and market forecasting, develop trade promotion activities, and promote the role of business associations.

The five-year plan also set some targets for export and import activities. The average growth rate for total export turnover over five years, for example, is expected to be 12-14% per annum while the 2015 export turnover is expected to be VND 35-38 million per person, equivalent to USD 1 400-1 520 per person (GoV, 2011b).

In short, Viet Nam has a clear development vision in general and in the area of trade development, in particular. The stated objectives, however, seem ambitious and little is said about what resources and instruments could be used to achieve these goals. The Socio-Economic Development Plan 2010-15, for example, includes the objective of "restructuring export structure" by listing a number of "tasks" such as promoting the export of high value-added goods, reducing the share of raw materials like crude oil and coal in total exports, strengthening exports of processed agricultural, forestry and fisheries products with high productivity and value addition, promoting exports of electronic, IT and software products, and improving the quality of export products that meet international quality standards. But it is difficult to find in this document any clear indication of how that could be done and what incentives and instruments could be used. Furthermore, there is a serious problem of co-ordination between different stakeholders and agencies on how to work together to jointly achieve these goals. In this context, a consistent results-based management framework is very important to ensure that these well stated development objectives are achieved.

Monitoring and evaluation of government projects and plans is a daunting task in Viet Nam due to the complexity of the system of performance indictors itself and the capacity to collect quality data in a timely, reliable and consistent manner. The government has issued a decree that sets out a system of national statistical indicators consisting of 350 indicators covering 21 different areas of the country's socio-economic activities (GoV, 2011b). The decree also assigns different government agencies to take the lead in developing a sector-specific set of indicators for monitoring and evaluation. Implementing this decree will not be an easy task. The system of monitoring and evaluation will be analysed in greater detail in Section 3.

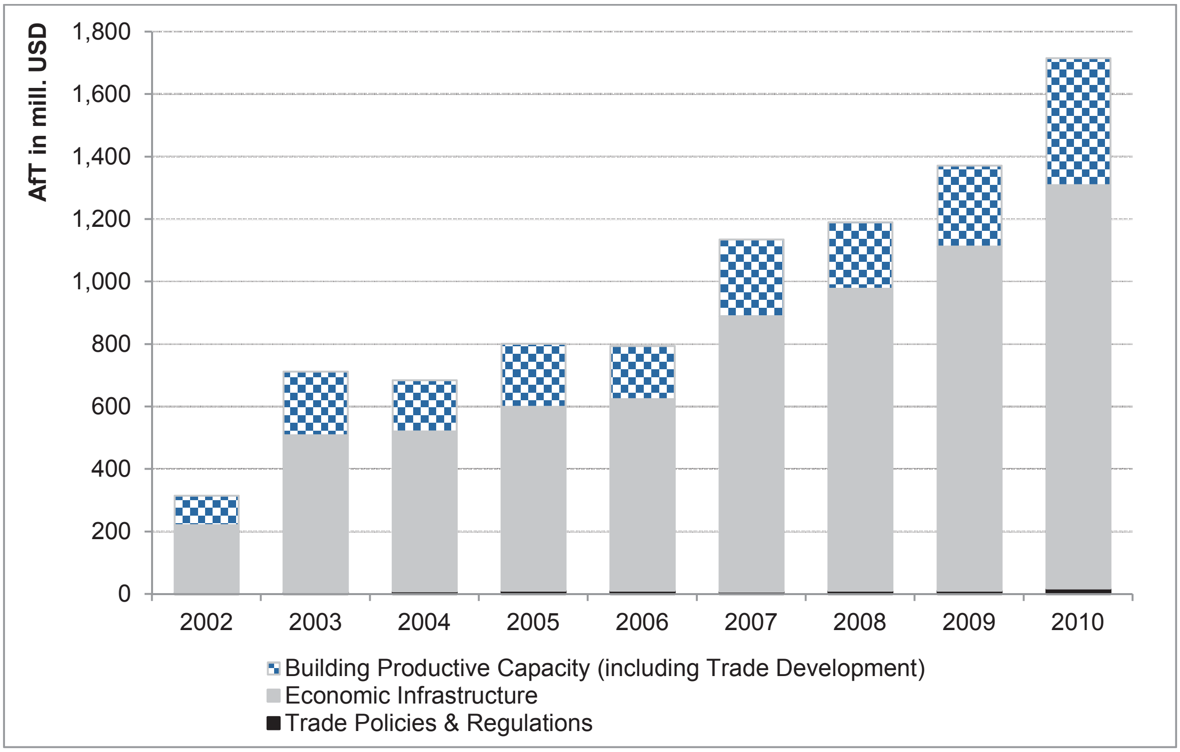
ODA and aid for trade: an overview

In 1993, Viet Nam resumed relations with the international financial institutions (the ADB, IMF and World Bank) and bilateral donors, giving it access to large-scale development assistance. Since then international donors have been very active, helping to address the capacity building and development needs of the country in general and the trade sector in particular. Viet Nam has a large donor community (51 in 2009, of which 28 bilateral and 23 multilateral), which has been evolving over the years with the involvement of non-DAC donors, together with increasing South-South co-operation and trade-related support. To date, in terms of ODA commitments and disbursement, Viet Nam is one of the top five recipients of ODA in the world (Cox *et al.*, 2010). The total volume of ODA committed and disbursed has increased steadily over the past decade, from USD 2 400 million and USD 1 650 million, respectively, in 2000 to USD 7 905 million and 3 541 million in 2010. ODA continues to be a significant source of development finance, accounting for 12-13% of the total state investment budget. It is also considered an important channel of technical assistance and knowledge transfer.

Based on Viet Nam's aid classification, sectoral allocation of ODA in the 2000-09 shows a strong emphasis on the economic sector, representing 63% of all assistance (mostly for transport, energy infrastructure, and agriculture and rural development). Transition to a market economy (which includes general budget support, administrative reform, the financial sector and the business environment) received about 14% of all assistance, with the remainder allocated to social development, environmental protection and other sectors. Looking at equivalence to the OECD Creditor Reporting System (CRS) classification, the allocation of ODA to aid for trade was considerable, accounting for about 52% on average of total sector allocable ODA to Viet Nam in 2002-10. In fact, aid for trade has become an increasingly important priority in Viet Nam's ODA agenda. Figure 5.1 shows a significant increase in the volume of aid for trade disbursed to Viet Nam, from USD 315 million in 2002 to 1 716 million in 2010.

Figure 5.1 Aid for trade in Viet Nam (2002-2010)

disbursement by categories (constant USD 2010 million)

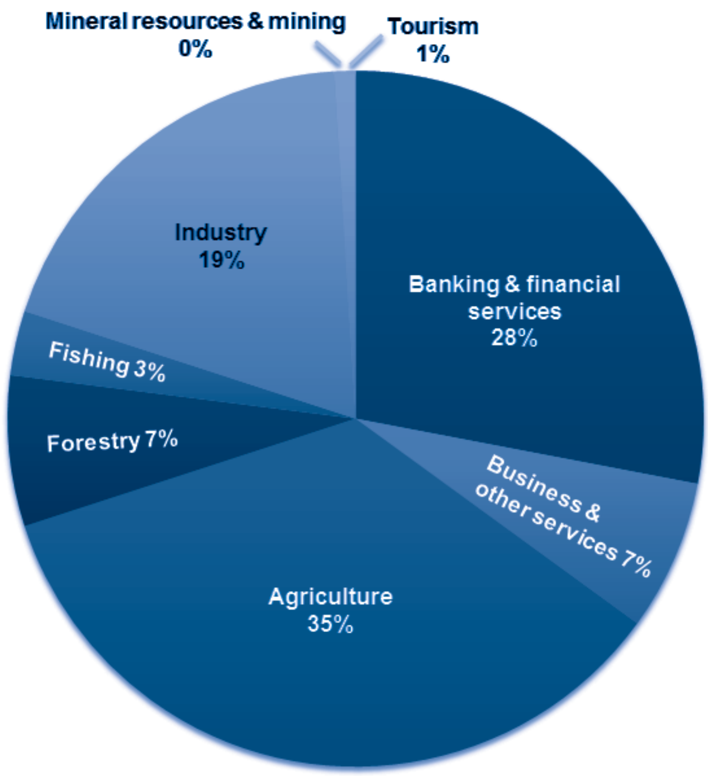


Source: OECD's Creditor Reporting System (2012) and authors' calculations. *http://stats.oecd.org/index.aspx?DataSetCode=CRS1#*.

The categorical allocation of aid for trade in 2002-10 confirms the strong emphasis on trade-related economic infrastructure (including transport, communications and energy infrastructure), representing about 66% of total AfT support on average. The importance of improved transportation, energy and other economic infrastructure in overcoming barriers that keep the country from benefiting from the world trading system is well understood among trade communities and stakeholders. An official estimate by the Development Strategy Institute (DSI) in 2011 shows the country will need about USD 400 billion for this purpose, meaning the need for infrastructure development will be even greater in the next ten years. The OECD Creditor Reporting System (CRS) indicates a slightly increasing trend in this share, from 65% in 2002 to 71% in 2010, showing the GoV priorities for large-scale economic infrastructure, which are expected to continue for some time. Similarly to the overall ODA profile, the Six Development Banks Group – which brings together the AfD, JICA (Japan), Korea Eximbank, KfW, Germany) and World Bank – provides most of the "hardware" support (e.g. for trade-related economic infrastructure), accounting for about 97% of total AfT in 2002-10.

Building productive capacity received around 28-34% of total AfT assistance in 2002-10. Within this segment, the largest items are agriculture (35% of all AfT) followed by banking and financial services (28%) and industry (19%) (Figure 5.2). The top five donors in this category include WB-IDA, France, Switzerland, Germany and Japan.

Figure 5.2 Composition of aid for trade in Viet Nam, 2002-10



Source: OECD's Creditor Reporting System (2012) and authors' calculations.

Trade policy and regulations received about 1% of total AfT. In absolute terms, however, it increased significantly from USD 3.31 in 2002 to USD 18.14 million in 2010, with allocations in the following fields: WTO, free trade agreements, trade-related legislation, trade defence, trade promotion, competition policy, enabling environment, consumer protection, investment, technical barriers to trade (TBT), business registration, intellectual property, labour issues, corporate social responsibility (CSR), SMEs, private sector development (PSD), sanitary and phytosanitary (SPS) measures, and customs. The top ten donors in this category in 2002-10 were Australia, Belgium, Canada, Denmark, the EU, Finland, Germany, Japan, Switzerland and the United States.

With Viet Nam's achievement of middle income country (MIC) status in 2009, the ODA profile is changing and development partners (DPs) are reportedly beginning to scale back or change the nature of their assistance. Viet Nam will have less access to concessional ODA funds for its economic infrastructure ("hardware" assistance), and the Government of Viet Nam and DPs have begun to discuss how to combine replacing aid with other sources of development finance. "Software" support (including trade-related technical assistance and building productive capacity) is seen as continuously needed in order for the GoV to strengthen its planning and budgeting and build development policy instruments in a decentralised environment. The trend for trade policy and regulations and trade-related adjustment assistance continues to rise slightly, showing a shift in country assistance strategy by a number of donors. With a limited ODA time horizon remaining, the GoV and DPs in Viet Nam are working together to strategically identify objectives, priority areas and the best results-based management framework for AfT in order to achieve maximum value from the remaining aid flows, especially to increase the country's competitiveness and international trade towards the achievement of the Millennium Development Goals (MDGs) and the Viet Nam Development Goals (VDGs) by 2015.

Viet Nam has not yet adopted the OECD Creditor Reporting System (CRS) codes for its ODA database. Therefore, the GoV statistics do not break down AfT into categories. In particular, policy support and capacity building are too often included as components of larger ODA projects/programmes. This explains some discrepancies between the GoV AfT statistics and OECD Creditor Reporting System (CRS) data, which calls for government efforts to strengthen AfT reporting in Viet Nam.

Government and donor co-ordination

Viet Nam is among the most active countries in regard to implementing the Aid Effectiveness Agenda under the Paris Declaration and its localised version, the Hanoi Core Statement on Aid Effectiveness (HCS). The government has very strong ownership of the country's development agenda and exercises strong leadership in aid management and co-ordination. Linking with national SEDPs, the five-year Strategic Frameworks for ODA Mobilisation and Utilisation (OSFs) issued by the Prime Minister provide the country's framework for ODA management.

The Strategic Framework 2011-15 sets the goal for ODA disbursement of USD 16 billion by the end of this five-year period and highlights Viet Nam's development priorities for international co-operation to support implementation of the "three breakthroughs" in the SEDP 2011-15, as mentioned in the previous section (i.e. improving market institutions, promoting human resources/skills development (particularly skills for modern industry and innovation), and infrastructure development), as well as a number of national targeted programmes in the areas of poverty reduction (Resolution No. 80/NQ-CP), new rural development (Resolution No. 800/NQ-CP), climate change, and rural employment creation. Aid for trade, in its broadest sense, can support all these development areas.

The Strategic Framework 2011-2015 also sets out the institutional responsibilities for ODA management, broadening its approach to the use of less concessional development loans in the new MIC context and describing the procedures involved for approval of individual projects/programmes. The Ministry of Planning and Investment (MPI) acts as focal point. It is responsible for preparing OSFs, strengthening the ODA legal framework (e.g. the revised Decree 131 under PM approval), acting as an intermediary between DPs and recipient institutions, and providing technical support for individual projects. MPI also maintains an ODA database for co-ordination and reporting purposes. The Ministry of Finance (MOF) provides financial oversight, collects disbursement data, and ensures that these data are reflected in the budget (sometimes, reportedly, with considerable time lags). The ODA management process is now becoming more decentralised to line ministries and agencies (Cox *et al.*, 2010).

Most DPs in Viet Nam are active participants in aid effectiveness processes through: designing and implementing their assistance programmes in line with the country's development strategies; harmonising and simplifying to improve the efficiency of project implementation, strengthen country systems and introduce new aid modalities; managing for results; engaging in active dialogues with the Government of Viet Nam and various development actors; and improving information sharing to ensure mutual accountability.

Donor co-ordination in Viet Nam is realised through donor groupings such as the Six Development Banks, the Like Minded Donor Group (LMDG),[1] the EU and UN agencies, where donors' interests and comparative advantages are better shared and used to build their country support programmes in a spirit of improved division of labour and better use of development finance. The government is maintaining dialogues with development partners and international NGOs on international co-operation and Viet Nam's development agendas through high-level Consultative Group (CG) meetings and other platforms, such as sector partnership groups and the Aid Effectiveness Forum (AEF) (Box 5.1)

Box 5.1 The Aid Effectiveness Forum (AEF) in Viet Nam

Called the Partnership Group on Aid Effectiveness (PGAE) until January 2010, the Aid Effectiveness Forum (AEF) serves as a senior platform for dialogue among active development actors in Viet Nam, at the strategic and policy level, on aid effectiveness issues and development effectiveness. In the new development context with a changing aid profile, Viet Nam is developing new aid architecture, with the AEF elevated to a senior policy forum and a hierarchical network of thematic working groups and sector Partnership Groups, which are working on the technicalities of aid delivery and/or government-donor co-ordination/dialogues at sub-national level. With broad participation by the National Assembly, government agencies, local governments, development partners, civil society organisations (CSOs), NGOs and the private sector, the AEF organises bi-annual events just before the mid-year and annual Consultative Group (CG) meetings, enabling commitments or sticking points to be referred to a higher level. The AEF is the leader in the implementation of global aid effectiveness initiatives in Viet Nam, including the Paris Declaration and Hanoi Core Statement in 2005-10 and the Busan Partnership Document with its building blocks since 2011. Currently, the AEF is developing the Viet Nam Partnership Document (VPD), with national indicators and 2015 targets set for monitoring implementation of the Busan Partnership for Effective Development Cooperation in Viet Nam, where aid for trade as a building block is also included.

The World Bank's Country Partnership Strategy (CPS) 2012-16, for example, directly supports Viet Nam's SEDS 2011-20 and SEDP 2011-15 and is guided by the key challenges set out by these documents. The CPS will therefore support "investments and policies aimed at (*i*) strengthening Vietnam's competitiveness in the regional and global economy, (*ii*) increasing the sustainability of its development, and (*iii*) broadening access to economic and social opportunity" (World Bank, 2011). The Swiss Economic Development Cooperation (SECO) continues to support Viet Nam in three major areas: strengthening macroeconomic framework conditions and financial sector infrastructure; promotion and internationalisation of small and medium-sized enterprises (SMEs); and sustainable trade policy (SECO, 2009).

Aid for trade in Viet Nam is mobilised and managed under the same legal and institutional framework and implementation procedures as other ODA funding, meaning under the joint management of national ODA management agencies (e.g. MOF, MPI, SBV) and line agencies (line ministries or provinces). Line agencies (e.g. MOIT for trade policy and energy infrastructure support, MARD for building capacity in agriculture, forest and fisheries, MOT for transport infrastructure) must submit requests for AfT assistance to MPI for screening and inclusion in the ODA Request List before negotiations with interested donors for funding. In providing aid to Viet Nam, most DPs develop country assistance strategies which may include trade-related initiatives.

As a rather new concept in Viet Nam, and while there is no explicit aid-for-trade strategy as such, the various aid for trade elements and components are present in both the SEDP 2011-15 and the OSF 2011-15 and are reflected in individual donor projects. In response to the OECD-WTO Aid-for-Trade Initiative, Viet Nam formed the AfT Inter-Ministerial Working Group through Decision No. 27/QD-UBQG dated 9/4/2012, chaired by MPI and with members from MOFA, MOIT and the National Committee for International Economic Cooperation (NCIEC) as the first step in co-ordinating AFT projects/programmes and improving the development results of aid for trade. Donors recently formed a trade-related assistance (TRA) working group as the first initiative to co-ordinate all trade-related technical assistance among development partners in Viet Nam. The TRA group, currently chaired by the EU, meets quarterly, sharing information on AfT projects/programmes and promoting alignment, harmonisation and co-ordination among donors.

As in the case of overall ODA planning and implementation, donor partners in Viet Nam often build their AfT plans based on the country's development objectives and their own competitiveness and strengths. The EU, for example, emphasises coherence between development and trade and continues to provide support to strengthen trade policy and regulations for the development of economic opportunities and for the export-oriented development strategy for Viet Nam, as it considers Viet Nam to be one of its foremost economic partners. USAID provides continuing support for better governance, the rule of law and continued economic reform, with trade as one of main focus areas.[2] Economic integration is one of the three core areas of Australia's Strategic Approach to Aid in Viet Nam for 2010-15. In addition, a number of development partners are promoting regional integration (e.g. ASEAN regional integration support by the EU, the Mekong Private Sector Development Facility III by Finland, Trade Capacity Building in Mekong Delta Countries by Norway, and the Regional Co-operation Project on Risk Management for Customs in the Mekong Region by JICA), while ADB has supported various initiatives to improve trade and transport facilitation (TTF) along the Greater Mekong Sub-region (GMS) corridors, including the new Mekong sub-region programme, jointly with Australia and the World Bank (ADB, 2012; ADB/AusAID, 2012).

The results-based management framework

While the need for better management for results (e.g. those changes that can be attributed to a development measure) of development projects as well as government plans is widely acknowledged, their operationalisation and putting into effect by different stakeholders, governments, donors and the private sector is still a difficult task. Experience in Viet Nam (as described in the previous section) shows that while the principles of effective results-based management are widely understood and supported, enormous challenges remain with respect to transforming these principles into practice.

The next sections will review the development planning approach that Viet Nam has been applying for a number of years and the country's recent experience with results-based management at the overall national scale. How the results-based management framework has been used by the government and by donors in the area of aid for trade will then be examined, using the OECD's approach described in this section as an analytical framework.

The general framework

Development planning has a long tradition in Viet Nam. The planning cycle adopted usually starts with the Socio-Economic Development Strategies, approved by the Communist Party of Viet Nam Congress, in which strategic vision and goals are put forward for a long-term development horizon of 10 to 20 years. These goals and visions are then operationalised through the five-year national Socio-Economic Development Plans (SEDPs), in which specific objectives and targets are set out and institutional and financial arrangements are made. The annual socio-economic plans serve as implementing tools. In addition, a number of projects and national targeted programmes are designed and implemented in parallel with the mainstream planning process. Currently there are 16 national targeted programmes covering a wide range of areas such as poverty reduction, HIV/AIDS, climate change, new rural development and employment creation. At the local and ministerial levels, development strategies, master plans and targeted programmes are also developed to address specific development objectives at the local and sector levels.

This complicated planning process and these tools often meet with criticism. As the World Bank has pointed out, the system has inherited many features of the centrally planned economy, which emphasised inputs and outputs rather than outcomes and impacts. Implementation, on the other hand, focuses on individual agencies and localities with little attention paid to inter-agency issues (World Bank, 2011). Co-ordination among various agencies and various localities is very limited and inefficient. Discussions with a number of people during field visits to two projects, Da Nang Port and Hai Van Pass, show that the impact of these projects in terms of promoting regional development and competitiveness has been notably reduced due to weak regional infrastructure to build co-ordination and lagging business environment improvement, which could have resulted in more trade flows and better port utilisation indicators. Agricultural exports, on the other hand, are of concern and regulations of both the Ministry of Agriculture and Rural Development and the Ministry of Industry and Trade lack an effective co-ordination mechanism. Too many sea ports, airports and other infrastructure facilities, as well as production units such as those for steel and cement, have been built in a scattered manner all over the country, with no regional and national co-ordination. This results in significant waste of resources and under-utilisation of facilities, reducing investment effectiveness and outcomes. Therefore, there is a significant gap within this planning framework between activities, processes and development outcomes.

Monitoring and evaluation (M&E) is commonly carried out by regular administrative reports and short inspection visits, both of which tend to emphasise issues within a given agency's administrative responsibilities. Strategically important inter-agency issues, international economic integration included, are commonly dealt with by inter-ministerial committees, which merely play a co-ordinating role with limited influence on resource allocation and use (World Bank, 2011). Managing for development outcomes (which, by their nature, often occur beyond a specific location or agency) is difficult to implement within this M&E framework and modality. For example, two national targeted programmes, new rural development and rural employment creation, have the objective (among others) of improving skills for rural residents, but there is a serious lack of co-ordination between the two programmes in terms of targeting, provision of training services, and job support.

In 2006, for the first time, Viet Nam adopted the approach of Managing for Development Results (MfDR) by issuing Decision 555 on Results-based Monitoring and

Evaluation of the SEDP 2006-10 (MPI, 2007b). The technical guidance manual for sub-national levels was then developed and applied in pilot provinces. Mid-term and end-term reviews of the SEDP 2006-10 were successfully conducted using the MfDR approach. In addition, the Government of Viet Nam established a legal framework for supervision and evaluation of public investment as well as the national monitoring and evaluation system for ODA programmes and projects, which is close to international standards and is harmonised with donors (especially with the Six Development Banks). For the SEDP 2011-15, efforts to improve MfDR continue to be made with a greater focus on development of a medium-term public investment plan. The MfDR concept and methodology are now common at all levels, although there are still certain constraints due to lack of capacity and of strong commitment at sub-national levels. For these reasons, a similar M&E framework for the SEDP 2011-15 has not been established.

The results-based approach was also piloted in a number of provinces and line ministries (World Bank, 2011). An interesting experiment has been undertaken by the Ministry of Agriculture and Rural Development, where, despite the absence of an overall M&E framework for the SEDP 2011-15, a sector-specific M&E framework was developed and officially endorsed by the Minister’s Decision No. 1621/QD-BNN-KH, (MARD, 2012). This sector results-based framework contains a set of 165 indicators for monitoring and evaluation. Clearer links between output and outcome indicators have been established in the M&E matrix. MARD has also put into operation a computerised information system that allows tracking of records with a small number of indicators of more than 1 000 investment projects under the Ministry’s management, as well as wide sharing of this information online among provinces and departments. While this information system itself is not yet a results-based system, its establishment and operation have already confirmed the feasibility of creating such a system to support data collection, information sharing and reporting for proper M&E purposes. The experiment should be analysed in regard to possible replication for a future results-based management framework for aid for trade.

At the local level, applying the results-based approach has been a challenging task so far and there is no substantial initiative to move it forward. Interviews in Ho Chi Minh City and Da Nang, show that local planning authorities are reluctant to adopt the results-based approach because of the complexity of the concept, the costs and time of data collection, and possible inconsistency between data concepts at the national and local level. Export and import data collected by provinces, for example, may be misleading because commodity flows often go beyond administrative borders. Goods produced in one province that go to a trading company located in another province, before going on to overseas partners, are often recorded as goods for domestic use in the first province and exports in the second province, which is incorrect. The gross domestic product (GDP) concept applied in the local context may raise some methodological issues and controversy.

In addition, there are concerns about the “indicator cloud” and “fog of confusion” phenomenon, where requiring too many indicators for monitoring and evaluation may be counterproductive. Another lesson learned from experience in implementing M&E for national development planning is the importance of national statistical capacity to support an M&E system (World Bank, 2011). Data availability and credibility remain serious problems in Viet Nam. Despite significant improvement during the last two decades in technical and institutional statistical capacity (which Viet Nam has achieved with strong support from different donors), much remains to be done in this area. Important data that is crucial for policy formulation, monitoring and evaluation, are often absent, incomplete, inconsistent, or unavailable. GDP data reported by provinces have often been inflated, so that there was inconsistency between provincial and national data. Viet Nam is one of perhaps only a few countries that do not report the Central Bank's data on a regular basis. Trade data up to the present are available on the GSO website, but using an *ad hoc* (or outdated) classification.

The government has been putting effort into improving the national statistical capacity both technically and institutionally. A national system of statistical indicators consisting of 350 indicators was approved by the Prime Minister's Decision No. 43/2010/QD-TTg, dated 2 June 2010. These 350 indicators are classified into 21 groups covering most of the country's socio-economic activities and natural and human endowment. Trade alone, including both internal and external according to the Vietnamese concept, has 18 indicators. Data for these indicators can be collected by GSO and line ministries on a regular reporting basis, and/or be based on surveys. Some line ministries, such as MARD (MARD, 2012) and MOIT (MOIT, 2012), have further operationalised this system of indicators to the sector level, taking into account sector specifics and needs for data and information in the ministries. The MOIT system of indicators, for example, consists of eight sub-groups, which cover many trade-related activities and outputs. A system of selected planning indicators is shown in Table 5.6.

Table 5.6 The Socio-Economic Development Plan (SEDP) 2011-15 and a selection of AfT-relevant indicators and targets

No.	Targets/key indicators	Unit	Baseline 2010	2011-15 targets
	Economic targets			
1	Average GDP per capita on the ending date	USD	1 168	1 965-2 000
2	Annual average GPD growth rate	%	7.0	6.5-7.0
3	Economic structure – agriculture, forestry and fishery	%	20.58	18.5-18.0
4	Economic structure – industry and construction	%	41.10	41.7-42.0
5	Economic structure – services	%	38.32	39.8-40.0
6	Share of aid in total state budget revenue	%	0.8	0.6
	Exports and imports			
7	Export volume per capita	USD	830.5	1 389-1 520
8	Export growth rate	%	17.3	5.8-8.2
9	Import growth rate	%	18.0	4.4-7.4
10	Share of export-import revenue in total national budget revenue	%	21.3	19.4-19.7
11	Share of trade deficit in exports	%	22.4	12 -10.1
	Productivity and trade			
12	Agriculture, forestry and fishery production growth rate	%	5.1	4.0-4.5
13	Growth rate of retail sales of consumer goods and social services	%	26.3	25.0
	Transportation			
14	Growth rate of commodity transportation volume	%	11.8	12.0
15	Growth rate of passenger transportation volume	%	10.2	11.8
	Information-communications			
16	Number of telephone subscribers/100 people	subscribers	147.4	154.0
17	Number of broadband internet subscribers/100 people	subscribers	12.6	8-8.5
	Tourism			
18	Number of international visitors	million people	20 846	30.8
	Investment and business environment			
19	FDI share in total investment	%	18.8	16.4-16.5
20	Total number of enterprises registered for establishment	thousands	600	1 000
	Social targets (and competitiveness)			
21	Population growth rate	%	1.05	1.0
22	Proportion of poor households	%	9.45	2% per year
23	Number of labourers provided with employment	million people	8.1	8.0
24	Proportion of trained workers in total labour force working in the national economy	%	40.0	55.0
25	Proportion of patents registered for protection	%	na	10.0
26	Percentage of technological innovations	%	na	13.0
	Environment and resources targets			
27	Proportion of forest coverage	%	39.5	42-43

Source: MPI, 2011; MOIT, 2011.

While this system of indicators at both national and sectoral level is comprehensive, using it literally in the complete form may suffer from "indicator cloud and fog" symptoms. The costs of collecting the information could be substantial, and its credibility could be doubtful due to financial, human and institutional constraints. Moreover, many indicators remain very much outputs rather than outcomes, or have only a vague relationship with development objectives (e.g. number of department stores, number of business persons using email on the MOIT list (MOIT, 2011, 2012). "Fine-tuning" this set of indicators (making it comparable with development objectives) is an important task for establishing a results-based framework. Again, the experience of MARD is worth considering.

The framework in aid for trade

The issue of trade and international economic integration has a very important role in strategic planning in Viet Nam. This has been reflected in many policy documents over the years. The Socio-Economic Development Strategy 2000-10, for example, emphasises the need for "proactive economic international integration, improving competitiveness, efficiency and quality, and reducing trade barriers". The SEDP 2011-15 sets out a number of trade-related targets such as export and import growth, quality, and value addition for export commodities. It also calls for "strengthening co-operation with development partners and making joint efforts to improve aid effectiveness, thus making greater contributions to development effectiveness" (GoV, 2011b).

When Viet Nam became a WTO member in 2007, the government enacted Resolution No. 16/2007/NQ-CP on international economic integration, which lays out the Government Action Plan (GAP) for 2007 to take advantage of and deal with the challenges of WTO accession. The GAP includes 12 important groups of tasks, ranging from institution building and human resources development to agricultural modernisation and rural development. A new resolution on economic integration for 2012-15 with a vision to 2020 is being drafted to serve as a platform for establishing targets, tasks and solutions to improve the efficiency of international integration in the future. Two important trade-related policy documents prepared by the Ministry of Industry and Trade (MOIT), "Comprehensive Strategy for Service Sector Development to the year 2020 (CSSSD) with a vision up to 2025" and "Goods Import-Export Strategy 2011-15", have also been approved recently. At the ministerial level, the MOIT Master Plan for Trade Development from 2011 to 2020, oriented to 2030, has been put into effect with a number of targets (MOIT, 2012). Recently, the Prime Minister urged MOIT to draft a comprehensive International Economic Integration Strategy Paper.

While the issue of trade and international economic integration has been high on the policy agenda, Viet Nam does not yet have an explicit aid for trade policy document. The role of ODA in supporting the government's implementation of its strategy and plans for international economic integration has been mentioned in a broader sense, without specific reference to this particular area. On the other hand, the Government Action Plan with its 12 tasks seems to be very general and not focused enough (MOIT, 2010). Again, in all the policy documents previously mentioned there is no clear M&E framework. The results-based management framework has not been introduced in these documents yet.

The donors' perspective

Aid for trade is provided by 24 (out of a total of 51) active development partners, accounting for about 52% of total allocable ODA to Viet Nam. Most development partners provide trade-related support as inseparable parts of their country development assistance strategies, which are all reportedly aligned with the SEDP and related provincial and sector plans/strategies. As revealed by the PD evaluation results in 2010, 95% of ODA in Viet Nam is mobilised and implemented in the spirit of aid effectiveness principles: ownership, alignment, harmonisation, results-based, and mutual accountability (Cox *et al.*, 2010). In support of WTO aid-for-trade initiatives, a number of development partners in Viet Nam (e.g. the EU, Switzerland, the United States) recently started to develop explicit aid for trade programmes.

The survey and interviews with some development partner officials show that all development partners have adopted a results-oriented planning approach, as they are working closely with government agencies in designing aid for trade projects/programmes. As numerous supply-side constraints (e.g. legal and institutional frameworks, capacity, the business environment) remained to be addressed following Viet Nam's accession to the WTO in 2006, almost all trade-related assistance would fit in. However, government planning frameworks (e.g. the SEDP 2011-15, the GAP, the MOIT Trade Development Master Plan) remain very broad, with many goals but a lack of detail on priorities and policy instruments, and development partners find it difficult to achieve meaningful alignment. Instead, according to some development partner officials interviewed, the development partners try to conduct their own research on Viet Nam's trade-related priorities/needs through other initiatives such as the semi-annual Viet Nam Business Forums (VBFs) organised by the Viet Nam Chamber of Commerce and Industry (VCCI) and/or prefer to continue working through trusted strategic partners in niche areas. Here, detailed requests for donor support continue to be made in *ad hoc* way, resulting in a fragmented AfT profile that works against coherent development of the trade sector as a whole. The Trade-related Assistance (TRA) working group, led by the EU, is among ongoing efforts to break away from this pattern with a better division of labour among interested development partners, while evaluators of the VIETRADE project have recommended adopting a sector-wide approach for the trade sector in Viet Nam.

At the project level, the concept of "performance measurement" has been adopted in different degrees for trade-related infrastructure investments and technical assistance. This is quite obvious in the case of support for trade-related economic infrastructure (which accounted for 66% of total AfT assistance), where mostly large-scale investment projects (e.g. by ADB, Australia, Japan and the World Bank) are based on country-owned transport/energy sector programmes or strategies. ADB evaluations and Viet Nam-Japan joint evaluations show that all supported infrastructure projects were generally delivered with a clear chain of results from inputs to outputs, direct outcomes and long-term impacts.

Again at the project level, infrastructure-related key indicators were defined in the project design documents, making results monitoring possible. Annex A provides the examples of two Japan-funded loan projects, Da Nang Port improvement and Hai Van Pass-Tunnel construction (surveyed as case projects for this study), where results-based management elements are found in project design, activities programming is based on log frame identification of clear and measurable objectives, and there are associated monitoring indicators and targets. ODA was effectively provided in direct response to the priority transportation needs for trade and economic development in Central Viet Nam. The projects were implemented with harmonised procedures based on Viet Nam's system of reporting, monitoring for results with *ex post* evaluation, and use of performance information for accountability, learning and decision making. *There is, however a missing link between the "intermediate outcomes" and the "final outcomes" in these projects.*

The picture looks more mixed in terms of results-based management for assistance to build productive capacity and trade policy and regulations, which are mostly trade-related technical assistance (TRTA). As evaluation of the implementation of the Paris Declaration indicated (Cox *et al.*, 2010), technical assistance is the most fragmented part of the aid portfolio in Viet Nam and is often poorly co-ordinated at the policy or technical level. With current institutional deficits in Viet Nam and numerous constraints on sectoral planning capacity, co-ordination of this kind of assistance will become a pressing aid effectiveness issue.

Results from selected case projects[3]

Accounting for 52% of total ODA to Viet Nam in 2002-10, aid for trade contributes significantly to the country's development and trade growth, as well as to improving its competitiveness and addressing supply-side constraints. The government (GSO and related ministries) monitors progress towards the SEDP AfT-relevant targets annually, as described in the previous section. MPI has put in place a national ODA monitoring and reporting system. Within that framework, aid for trade projects/programmes in Viet Nam are regularly monitored and periodically evaluated to measure progress and results/impacts.

For this study we conducted a field survey of six projects: two of trade-related economic infrastructure and four of trade-related technical assistance (TRTA). Two infrastructure projects, Da Nang Port improvement and the Hai Van Pass-Tunnel, are funded by Japanese ODA. Four trade-related technical assistance projects are: MURAP III, funded by the European Union; Beyond WTO or B-WTO, jointly supported by DFID and AusAID; STAR III (USAID); and VIETTRADE, supported by Swiss Economic Development Cooperation These projects are briefly described in Annex.

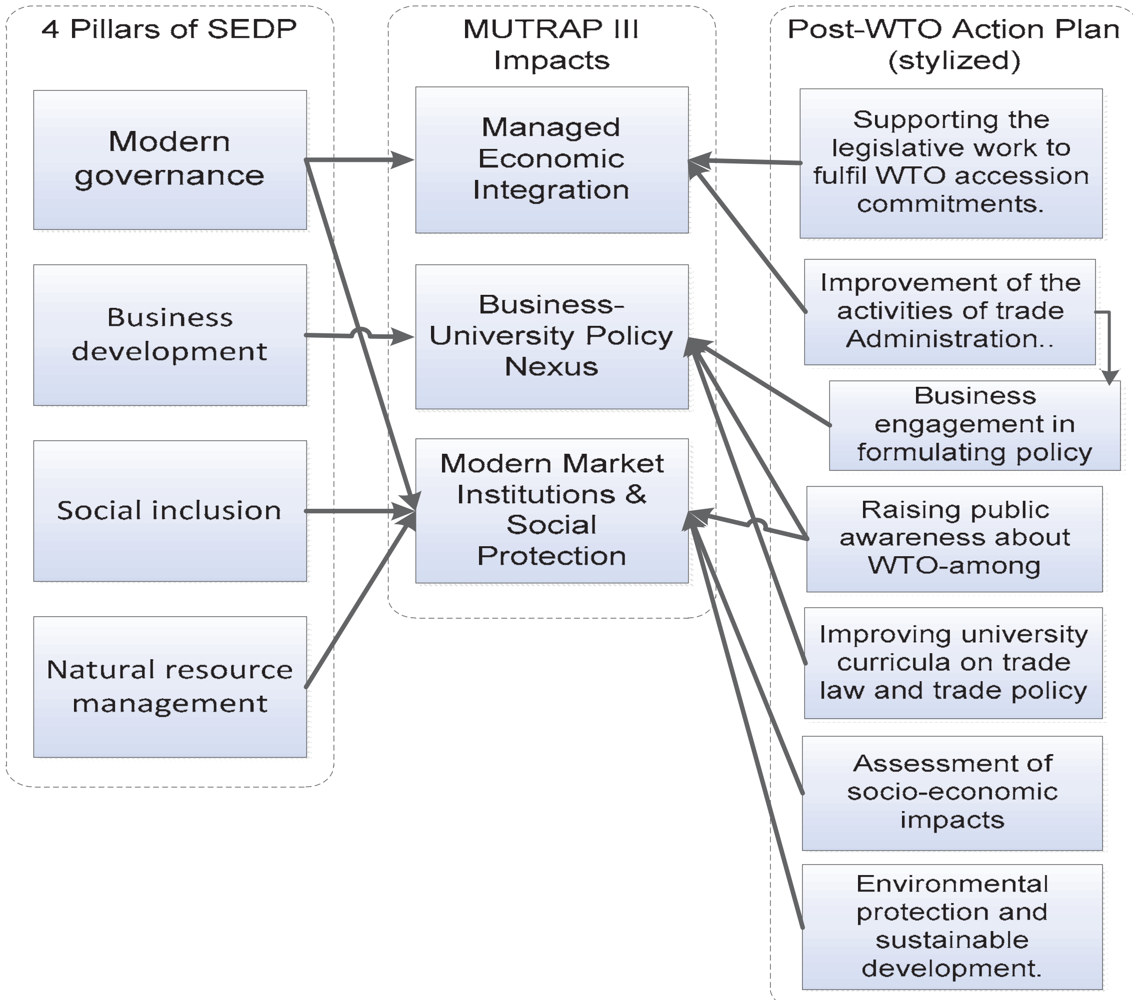
For trade-related economic infrastructure projects, it is quite straightforward to measure project performance and trade-related outcomes. As in case of the Japan-funded Da Nang Port improvement and Hai Van Pass-Tunnel construction loan projects, the government's Project Management Unit (PMU) 85 regularly monitored outputs based on defined target indicators with routine performance reporting, while the Viet Nam-Japan joint *ex post* evaluations provided assessments of project outcomes and impacts (JICA, 2009). That is possible because baselines and quantitative data related to designed key monitoring indicators are available. As in the case of other similar evaluations, linkages with national-level indicators remain difficult. There were normally attribution problems with evaluations, as impacts on the ultimate goals of infrastructure projects for the Vietnamese economy as a whole could not be determined. The survey by the research team confirmed that the projects significantly improved regional transportation in terms of time and cost, producing sustained positive socio-economic, trade, investment and poverty reduction impacts. However, according to some local government officials interviewed for the study, there were concerns that the intended benefits of Da Nang Port might be diminished due to new development of the port at Lang Co-Chan May, less than 70 km away in a nearby province. Better and integrated regional development planning with a long-term vision is needed to maximize the potential benefits of such infrastructure projects. *Making the link between "intermediate outcomes" and "final outcomes" clearer is important as a next step to improve the results-based framework of such projects*

For the four trade-related technical assistance projects we visited, namely MURAP III, B-WTO, STAR III and VIETTRADE, monitoring and evaluation was also conducted regularly, as required by the government and donors' regulations. Routine performance reporting provides factual information about the implementation process. The mid-term review and evaluations were conducted and performance information used for management learning (e.g. adjusting project activities or designing for new phases). Evaluation and review reports indicated that all four TRTAs contributed significantly to improving trade policy and regulations, export promotion and trade development, and trade capacity building due to long-standing assistance by same donors. Among the TRTAs, the B-WTO programme, with strong government ownership under NCIEC co-ordination and the support of the GAP, has shown a strong domestic orientation and provided benefits for capacity building and addressing supply-side constraints.

All the reviewed trade-related assistance projects have building blocks for results-based management. Evolving through successive phases, all programme designs have been aligned to government priorities with some adaptability to Viet Nam's changing needs in the future. Normally, the TRTAs have developed the programmer's logical framework as the basis for project implementation and monitoring, although evaluators of the STAR II project argued that a certain flexibility would increase the efficiency of the aid management process and might better respond to the country's needs. It is a significant challenge to have quantifiable trade-related objectives for trade-related technical assistance projects. Among the four reviewed projects, only the EU-Viet Nam programme MUTRAP III developed quantitative trade indicators with baseline data for measuring results and trade-related outcomes. The remaining projects mainly developed inputs, activities and output indicators, with only a few outcome indicators that are not well defined for linking with trade-related outcomes and the impacts of project interventions.

Related to aid effectiveness principles, TRTAs tend to use the country's system (financial management, procurement) less for aid delivery and instead to use human resources outside the government (e.g. for international expertise). Although this is not necessarily less effective and is even more efficient (as in the case of STAR and MUTRAP III) in the long term, government ownership with improved institutional and management capacity will have a greater impact on trade and development results. In addition, although three projects (B-WTO, MUTRAP III and STAR Plus) have different approaches, focuses and modes of operation with no overlaps, better co-ordination by the government is highly recommended for effective trade results.

Figure 5.3 Projects with intervention logics



Source: Report WTO-C2I - EU-Viet Nam MUTRAP III Impact Assessment (2012).

The common challenge in measuring the development results of TRTAs is that impact logics are not well defined, together with a lack of quantitative benchmarks and well defined trade-related indicators. Figure 5.3 shows the impact logics of MUTRAP III. Together with quantitative benchmark indicators of performance that created a basis for results-based management and evaluators, they were able to measure trade-related outcomes and impacts. A new OECD guideline with three levels of outcomes could be applied to this type of projects.

Conclusion

Viet Nam has undergone an unprecedented process of socio-economic transformation in the last decade and a half. Globalisation and trade have played an important role in is successful transition so far. The country faces enormous challenges in the years ahead, as it opens up further to international economic integration and deepens its economic reforms. Great opportunities are also opening to the country, and trade will have a significant contribution to make to its development journey. The donor community has been active and effective in helping Viet Nam in its transition, and aid for trade has greatly contributed to this success although no explicit aid-for-trade strategy exists in the country.

The results-based management framework is important for both the government and donors in their work to improve the effectiveness of donor and government resources. Many attempts at results-based management have been made in Viet Nam by the government and donors in the past, but results so far have been mixed at best. There are many reasons why this is the case. While the government has a very clear strategic vision of where and how the country should be going, setting the focus of development objectives and prioritising needs further improvement. Inter-agency co-ordination and division of labour needs to be improved, especially for complicated cross-cutting issues. The alignment of donors with the government's strategy requires a more effective and flexible mechanism, so that the comparative advantages of each donor can be fully exploited and co-ordination and harmonisation be made smoother. The Aid Effectiveness Forum could provide further support and strengthening for such co-operation. Many donors' projects have successfully applied the intervention logics in a project's design, implementation, and monitoring and evaluation. However, there is a missing link between "intermediate outcomes" and "final outcomes" in these projects. Closing this gap and making the results-based framework more visible and effective is essential to improve the development outcomes of donors' efforts. From the government's perspective, there is a need to improve institutional capacity for mainstreaming the results-based framework in national development planning in general and aid for trade in particular.

As a concrete step towards introducing and strengthening meaningful and comparable results frameworks for aid for trade, the following activities are recommended as a follow-up to this study.

Developing an aid-for-trade strategy with a proper monitoring and evaluation framework

- Develop an aid-for-trade strategy with integrated outcome objectives, based on the government's trade-related policies and strategies.
- Develop an M&E framework with an integrated set of aid-for-trade indicators (including national and sectoral levels) and clear guidelines for use in project formulation and implementation.

Improving government and donor co-ordination

- Improve inter-ministerial and inter-provincial co-ordination relating to aid for trade through the AfT Inter-Ministerial Working Group.
- Improve communication, donor co-ordination and division of labour through the Trade-Related Assistance Working Group.
- Improve dialogues among government and development partners and support active participation of the private sector, civil society and other stakeholders in aid for trade agendas through the Aid Effectiveness Forum (AEF) and the Vietnam Business Forum (VBF).

Improving the information base for effective results-based management

- Incorporate aid-for-trade indicators into the approved set of national statistical data to ensure the availability, quality and reliability of verifiable information.

- Incorporate the OECD AfT categories coding system into the new ODA database in order to track and co-ordinate aid for trade.

Specific recommendations are as follows:

Working with the government

- Work closely with the Aid Effectiveness Forum on possible implementation of the new results-based development framework paradigm to ensure better co-ordination and alignment of donors' activities with the government's development strategy.

- Work with appropriate government agencies to integrate the results-based development framework into the New Government Action Plan for International Economic Integration, making the role of aid for trade more visible in this important policy document and developing a system of monitoring and evaluation.

- Support the drafting of an International Economic Integration Strategy Paper, introducing the new concepts of trade, value for trade, aid for trade, and the results-based development framework paradigm into this strategic policy document.

- Consider the possibility of working with the Ministry of Planning and Investment (MPI) in developing an M&E framework for the Socio-Economic Development Plan 2011-15, based on experience with M&E in 2006-11 with an emphasis on aid-for-trade indicators.

- Work with the Ministry of Agriculture and Rural Development (MARD) and the Ministry of Industry and Trade (MOIT) to improve their policy documents as case studies for reinforcing the results-based framework, applying a set of indicators and results chains for these documents.

- Work with MPI to incorporate the OECD AfT categories coding system into the new ODA database in order to track and co-ordinate aid for trade, along with development assistance for other purposes.

- Work with the General Statistics Office (GSO) to incorporate aid-fortrade indicators into the approved set of national statistical data to ensure the availability, quality and reliability of verifiable information.

Working with the donor community

- Work closely with the Aid Effectiveness Forum, donor groupings, the Vietnam Business Forum (VBM) and Viet Nam Chamber of Commerce (VCCI) to strengthen dialogues and co-ordination and monitor progress in implementing AfT strategy.

- Work with selected donors on reinforcing the results-based framework at all levels: country and projects. Potential partners for collaboration include AusAID, the EU, Finland, GIZ, Swiss Economic Development Cooperation (SECO) and USAID.

- For trade policy projects such as MUTRAP IV and STAR Plus, introduce the new OECD framework to strengthen their existing results-based framework (moving from intervention logics to outcomes linkages: different outcomes levels with different projects).

- For infrastructure/building capacity projects, introduce the new OECD results-based framework by strengthening the link between the "intermediate outcomes" and "final outcomes" of these projects.

Notes

1. The Like Minded Donor Group (LMDG) is an informal group of 14 Hanoi-based bilateral donors (Australia, Belgium, Canada, Denmark, Finland, Germany, Ireland, the Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland and the United Kingdom). The goal of the LMDG is to further improve aid effectiveness and co-ordination in Viet Nam.

2. United States Assistance to Viet Nam factsheet: *http://vietnam.usembassy.gov/assistancefactsheet.html.*

3. This section is based on observations during our field visits to case projects while conducting this study.

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Chapter 6

Managing aid for trade and development results in Rwanda

The case study of Rwanda highlights that both trade and development assistance have played an important role in catapulting the country to the top of Africa's growth charts. The case study shows that the government has developed a robust set of indicators that span the broad aid-for-trade agenda. While the monitoring and evaluation system is complex and has minor gaps, taken as a whole, it has produced effective implementation. The system is predicated upon a set of output and outcome indicators to be attained through enumerated (and often quantified) policies and actions that begin at the highest level of government and cascade down through the various ministries and agencies. Each level of government has its own outputs/outcomes and associated implementation plan. The government, working with donors, has also established a comprehensive Donor Performance Assessment Framework as part of its administration of official development assistance. Beyond this, the framework is intended to contribute to meeting Rwanda's 2020 goal of raising incomes to the level where aid of any kind will no longer be necessary. All in all, the case study tends to corroborate the findings of Bruno Versailles (2012c), who concluded that "…Rwanda now boasts what is very close to 'best practice' in mutual accountability frameworks". Nonetheless, this review points to a few ways in which the management of aid for trade might be improved, if at the margin.

Rwanda's economic performance since the mid-1990s has catapulted it to the top of Africa's growth charts. Both development assistance and trade have played important roles in the process. The case story provides abundant evidence that aid for trade has been mainstreamed. The government has developed a robust set of indicators that span the wide measurement of aid for trade adopted by the OECD and WTO. While the M&E system is complex and has minor gaps, taken as a whole, it has produced effective implementation.

The system is predicated upon a set of output and outcome indicators to be attained through enumerated (and often quantified) policies and actions that begin at the highest level of government and cascade down through the various ministries and agencies. Each level of government has its own outputs/outcomes and associated implementation plan. Taking into account only the Ministry of Industry and Commerce (MINICOM) and the Ministry of the East African Community (MINECOFIN), the government tracks some 90 indicators related to aid for trade and more than 540 associated actions – and this is not counting the other ministries' annual action plans and performance contracts. Finally, annual performance results are fed back into planning and action plans for future years, so that feedback loops do indeed play an important role in ensuring the effective use of development assistance.

The indicators in Rwanda's Economic Development and Poverty Reduction Strategy (EDPRS) and Common Performance Assessment Framework (CPAF) are those which are most comprehensive and consistently monitored. They are traced from the economic cabinet through the 16 Sector Working Groups (SWGs) and/or Districts down to the implementing agency, and then reported back up, eventually to the economic cabinet. For the broad AfT sectors, the indicators are fairly robust as proxies for overall performance. An exception to this are the indicators for trade performance monitored through the Private Sector Development Sector Working Group (PSD SWG). It is not clear that improvements in the chosen indicators have any correlation with improved trade performance; moreover, the policies intended to correspond to these indicators have little direct bearing on the trade performance the indicators are trying to capture. The government is now considering a quarterly performance report that would remedy many of these deficiencies.

The government, working with donors, has also established a comprehensive Donor Performance Assessment Framework (DPAF) as part of its administration of official development assistance (ODA). This has proven effective in encouraging donors to consider ways they might contribute more to the realisation in Rwanda of the five fundamental principles outlined in the 2005 Paris Declaration on Aid Effectiveness. Beyond this, the DPAF is intended to contribute to meeting Rwanda's 2020 goal of raising incomes to the level where aid of any kind will no longer be necessary.

All in all, the chapter tends to corroborate the findings of Bruno Versailles (2012c), who concluded that *"...Rwanda now boasts what is very close to 'best practice' in mutual accountability frameworks"*. Nonetheless, this review points to a few ways in which the management of aid for trade might be improved, if at the margin.

Introduction

When in 2000 the Government of Rwanda launched its "Vision 2020", the country was still emerging from the post-genocide upheaval, and the development strategy aimed at moving the country up the development ladder from low-income to lower-middle income status in 20 years seemed improbably ambitious. Today, with a decade of high growth behind it and remarkable achievements in reducing poverty, that objective seems much more within reach. Steady implementation of reforms across several policy arenas – greater trade openness, price liberalisation, improved public financial management, financial reforms (including a payments system) and services liberalisation – together with substantial public investment (focused especially on infrastructure) have combined to produce 8% annual growth and a drop in dire poverty from 57% in 2005/6 to 46% in 2012/13. Those living in extreme poverty fell from 37% to 24% in the same period.[1]

Both trade and aid have played pivotal roles in the growth process. Exports have nearly doubled in real terms since 2000. Imports have also grown, at a slightly greater rate. A major reason for this growth has been the steady inflow of capital, primarily in the form of development assistance. Development assistance has provided a major impetus to growth, fuelling the expansion of a dynamic services sector, notably in infrastructure and construction.

This chapter looks at how the government has crafted its trade strategy, fit development assistance into it, and then tracked its implementation with specific indicators to ensure that resources are used effectively. It also looks at mechanisms providing mutual accountability of the government to donors and of donors to the government as part of their development partnership.

The chapter therefore has twin objectives. The first is to share with the aid for trade community lessons from Rwanda's efforts to identify monitorable indicators of successes and shortcomings in using aid for trade. The second objective, approached with some degree of humility as the authors are outside observers of the process, is to suggest possible ways that management of aid for trade, particularly monitoring and evaluation systems, could be improved to make aid more effective.

Two qualifications are in order by way of preface. First, the chapter is not intended to focus on the appropriateness of particular policies – though some policy substance is inevitable – but rather on the *process* of aid management. To that extent, the description of Rwandan systems may well be more informative to those unfamiliar with Rwanda than to practitioners in-country whose shoulders are daily pressed to the wheel of the country's development. Second, in terms of the results chain framework of Cattaneo (2012), the study is focused narrowly on intermediate outputs and outcomes associated with trade, rather than final impacts on incomes and poverty. It is fairly evident from the brief review of the country's performance in the first section that trade expansion in Rwanda has contributed to economic growth and that economic growth has had a major impact in reducing poverty.

This chapter begins with a brief review of trade and growth performance in Rwanda, with a view to highlighting the trade challenges the country confronts. The second section presents an overview of aid for trade in Rwanda. Subsequent sections review ways the government integrates trade into its strategy, and how it manages official development assistance (ODA) in general, and then look in particular at monitoring and evaluation (M&E) in some detail through the lens of the aid-for-trade sectors. The penultimate section looks at the accountability framework for donors. The report concludes with some suggestions in the spirit of deepening the effectiveness of aid for trade and with some possible lessons for other countries from the Rwandan experience.

Rising incomes and trade growth

Trade has played an important role in economic growth in Rwanda. Imports have been a source of higher technology capital goods, cheaper inputs and raw materials for the productive process, and a source of less expensive and more varied consumer goods. Moreover, import competition in the domestic market has helped drive productivity growth. On the other hand, exports have provided a wider market than the relatively small domestic economy, creating the opportunities for economies of scale and scope, as well as higher productivity, associated with some degree of specialisation, particularly in agriculture.

Still, exports have not performed the role of leading sector that they have in the fast-growing countries of East Asia. Exports as a share of GDP are unusually low – some 14% (Figure 6.1) – and have accounted for a relatively small share of growth in recent years (Figure 6.2). This is roughly half the sub-Saharan average and barely one-third the average of low-income landlocked countries. These figures do not include informal trade of goods, particularly common along the border with the Democratic Republic of the Congo (DRC).

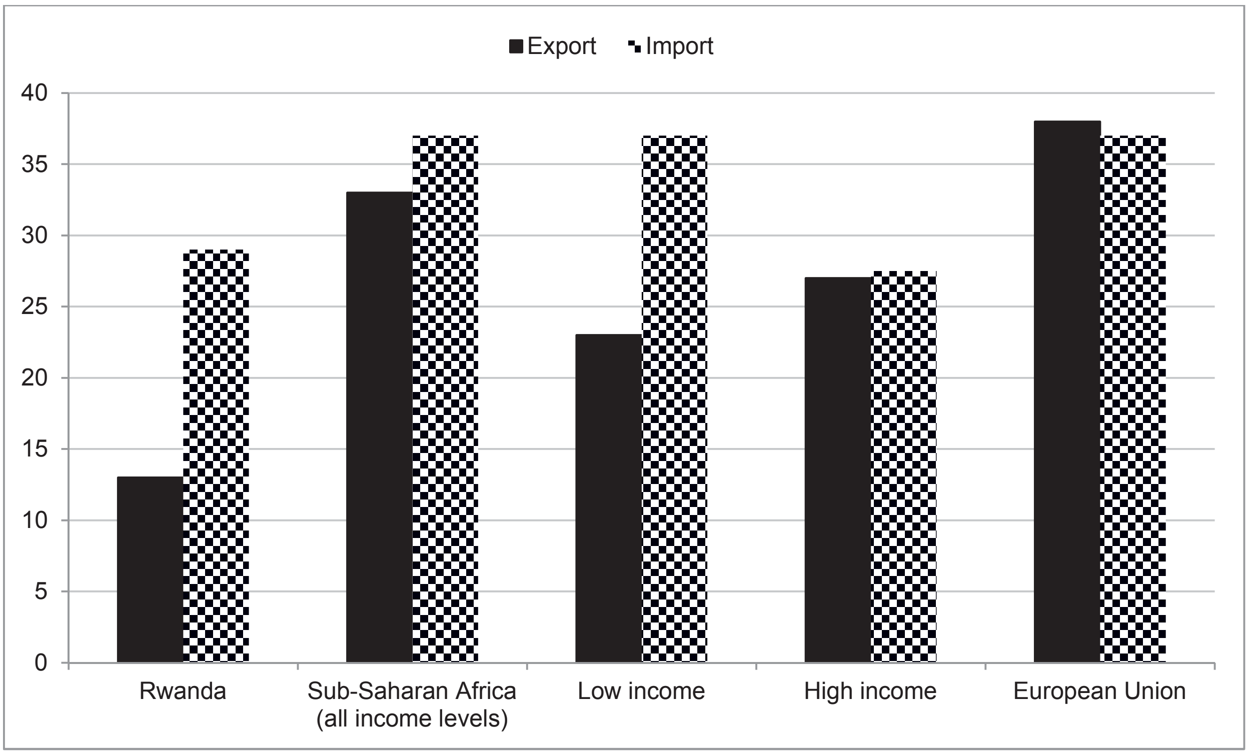
Several persistent deficiencies in the structure of Rwandan trade have long concerned the government:

- Rwanda is heavily dependent on three commodity exports: coffee, tea and minerals. This level of concentration has contributed to large swings in terms of trade and volatile growth performance (Figure 6.3).
- Value-addition in commodity exports, though much improved relative to the 1990s, still remains low and therefore constitutes an opportunity for growth.
- Rwanda is in a low-trading neighbourhood, at least for merchandise. All countries in the East African Community (EAC) have low trade shares of GDP, underscoring the importance of the regional integration agenda (Figure 6.4).
- New products that Rwanda exports, the critical green shoots of future diversification, have a low survival probability in foreign markets (Figure 6.5).
- Rwanda has so far attracted less FDI than other countries in Africa, a reflection of its small market and geographic isolation. This has truncated opportunities to participate in regional value chains (Figure 6.6).

These problems, of course, reflect the hard realities of being a poor country, with a small market in a socially volatile neighbourhood. But much as general economic policies have led to dramatic improvement in growth in recent years, so, too, policies in the area of trade can help address these deficiencies. Rwanda has made exceptional progress in improving the business environment. Its ranking has progressively improved on the World Bank's Doing Business scale, from 139 in 2009 to 52 in the 2013 rankings (it is one of the top three countries in sub-Saharan Africa and the top-ranked low income country), though this effort has yet to be requited with large private investment inflows.

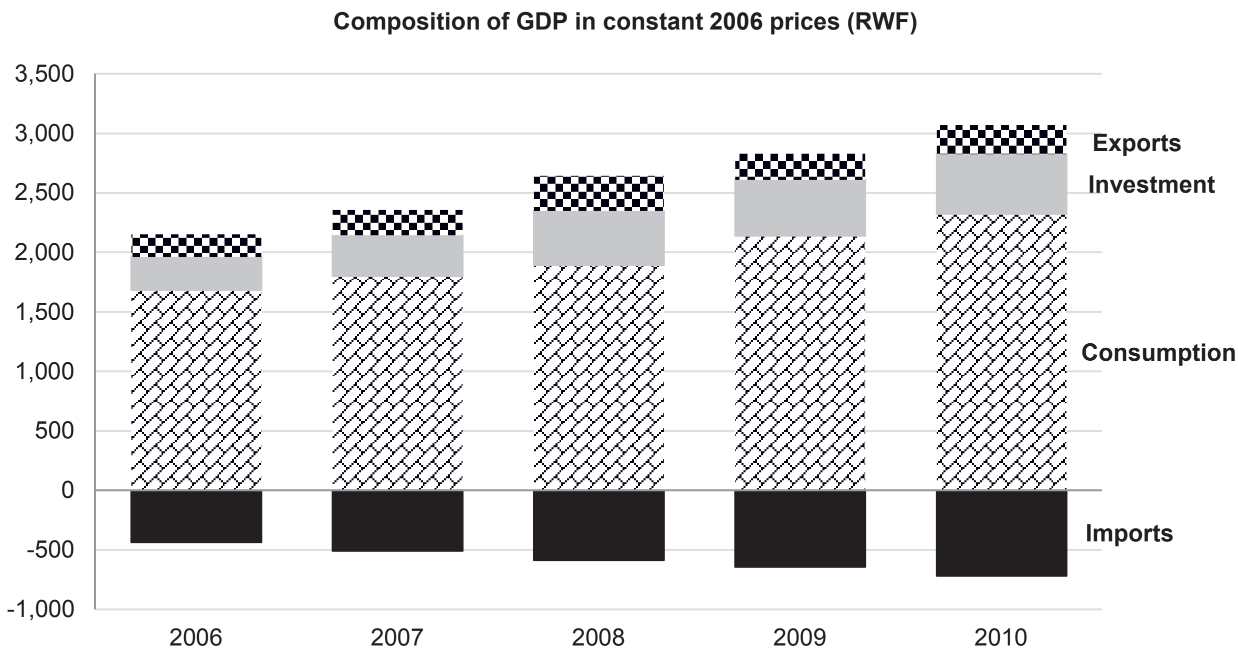
Rwanda's low ranking on the "trading across borders" sub-index (158 in 2013), partly because of high transportation costs, is a clear manifestation of the constraints (World Bank, 2012).

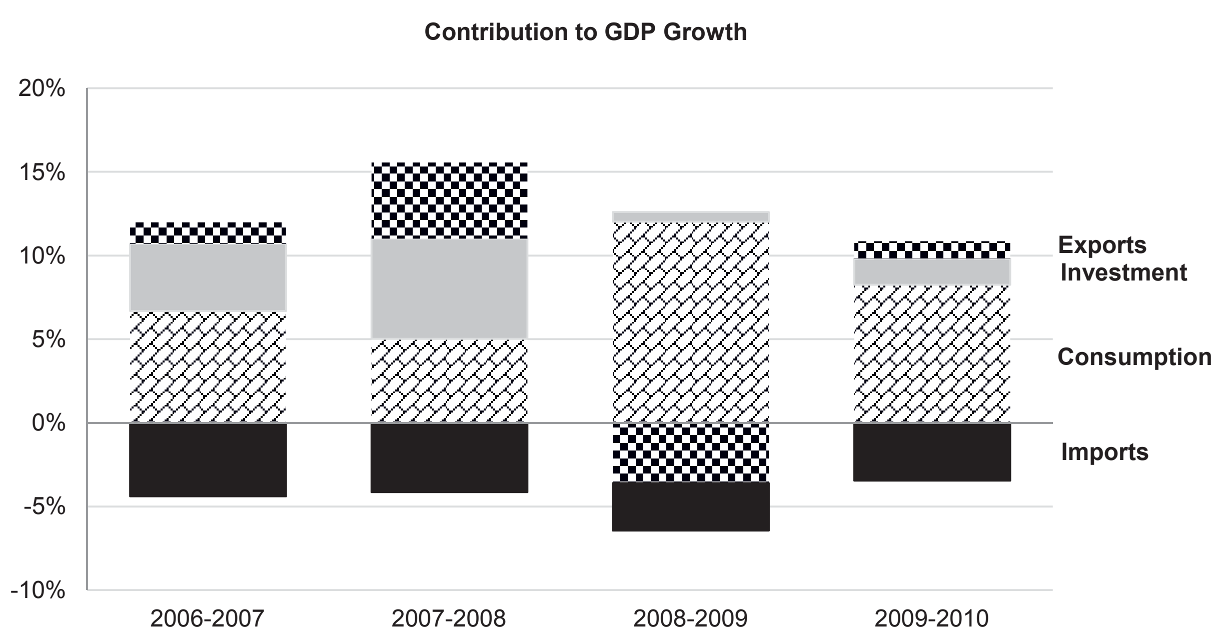
Figure 6.1 Rwanda has a very low trade ratio



Source : Authors calculations from WDI data.

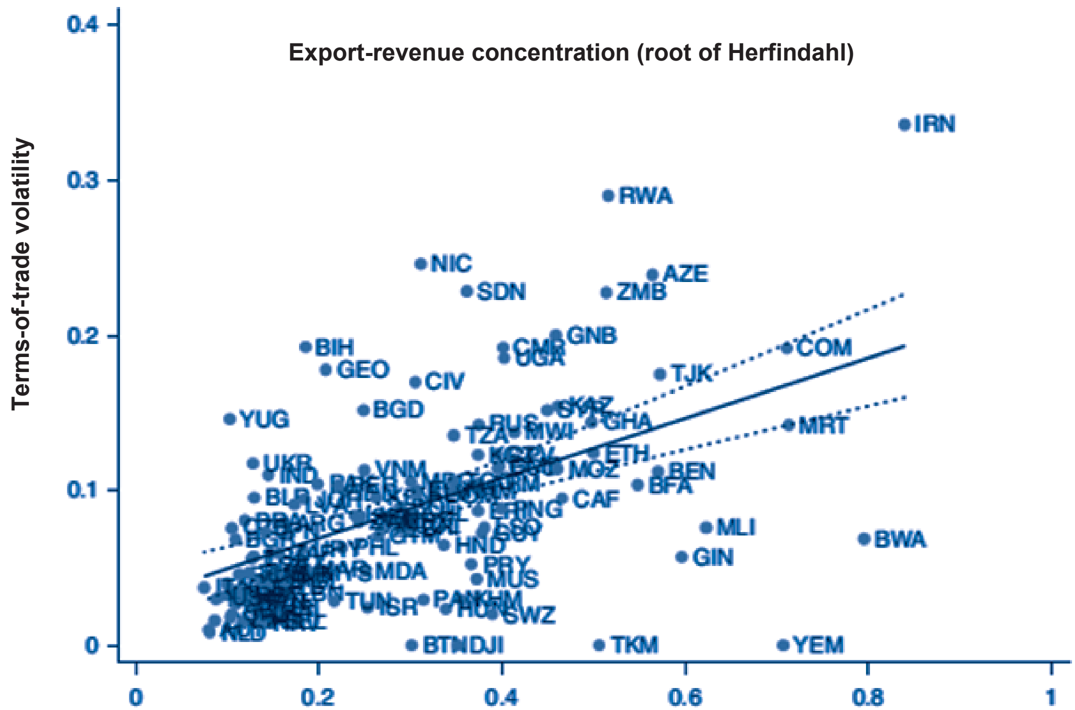
Figure 6.2 Exports have played a small role in growth





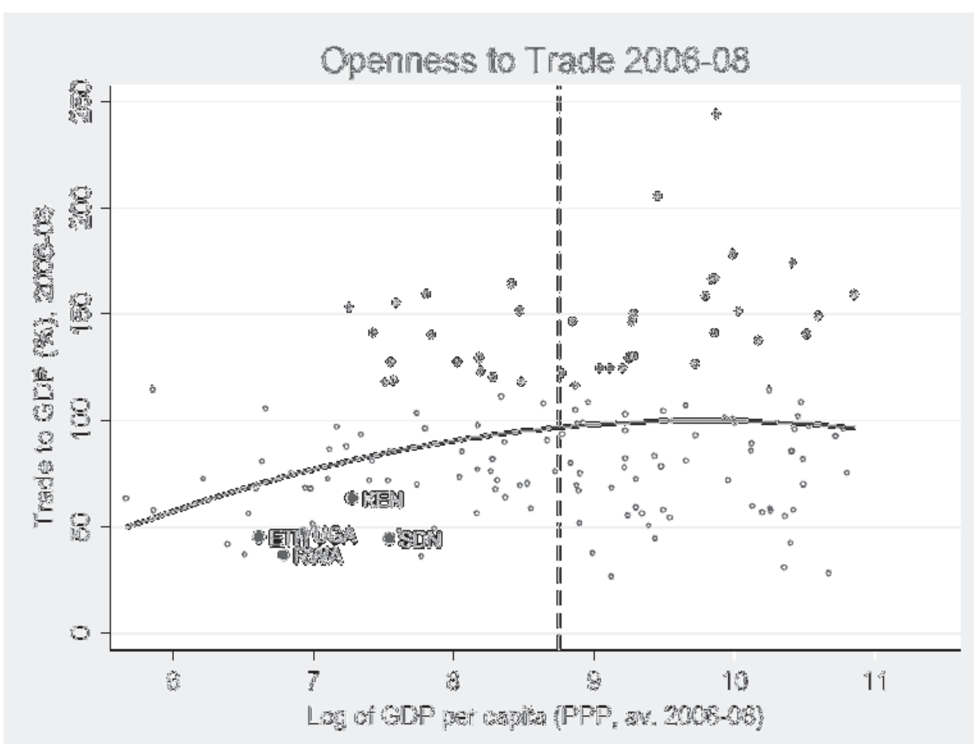
Source : Authors' calculation from WDI data.

Figure 6.3 Rwanda's terms of trade are unusually volatile



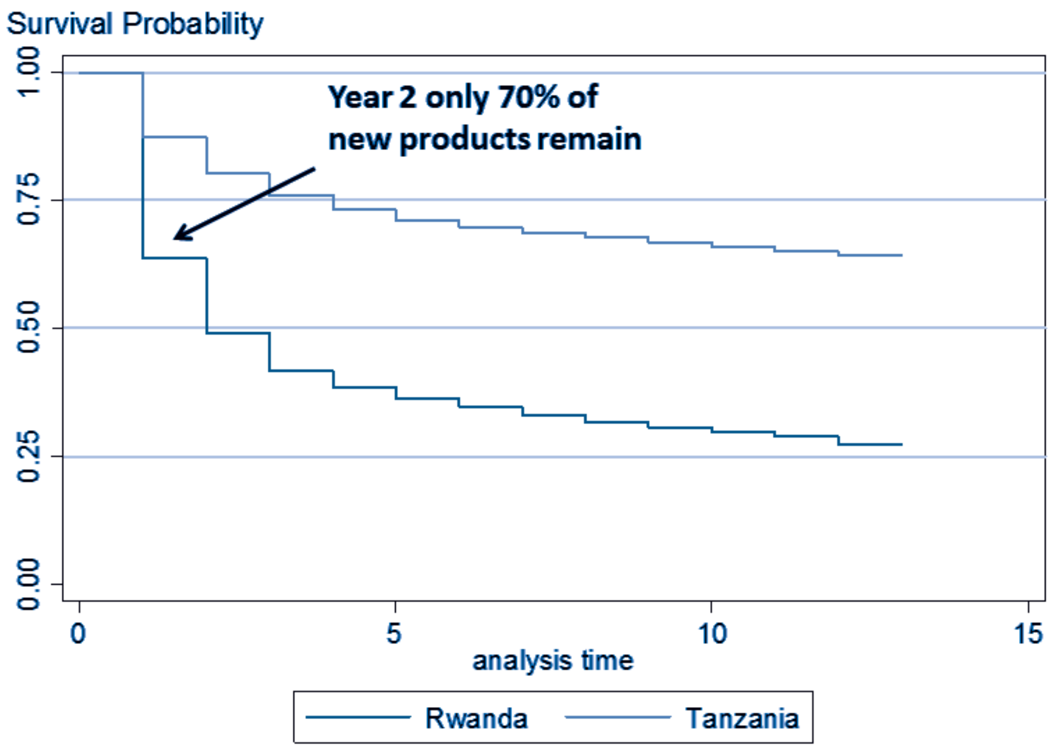
Source : Lederman, Daniel and William Maloney (2012).
Note : Dotted lines represent the 5 percent confidence interval

Figure 6.4 Trade is below the predicted level



Source : Authors' calculations from WDI data.

Figure 6.5 Exports die young

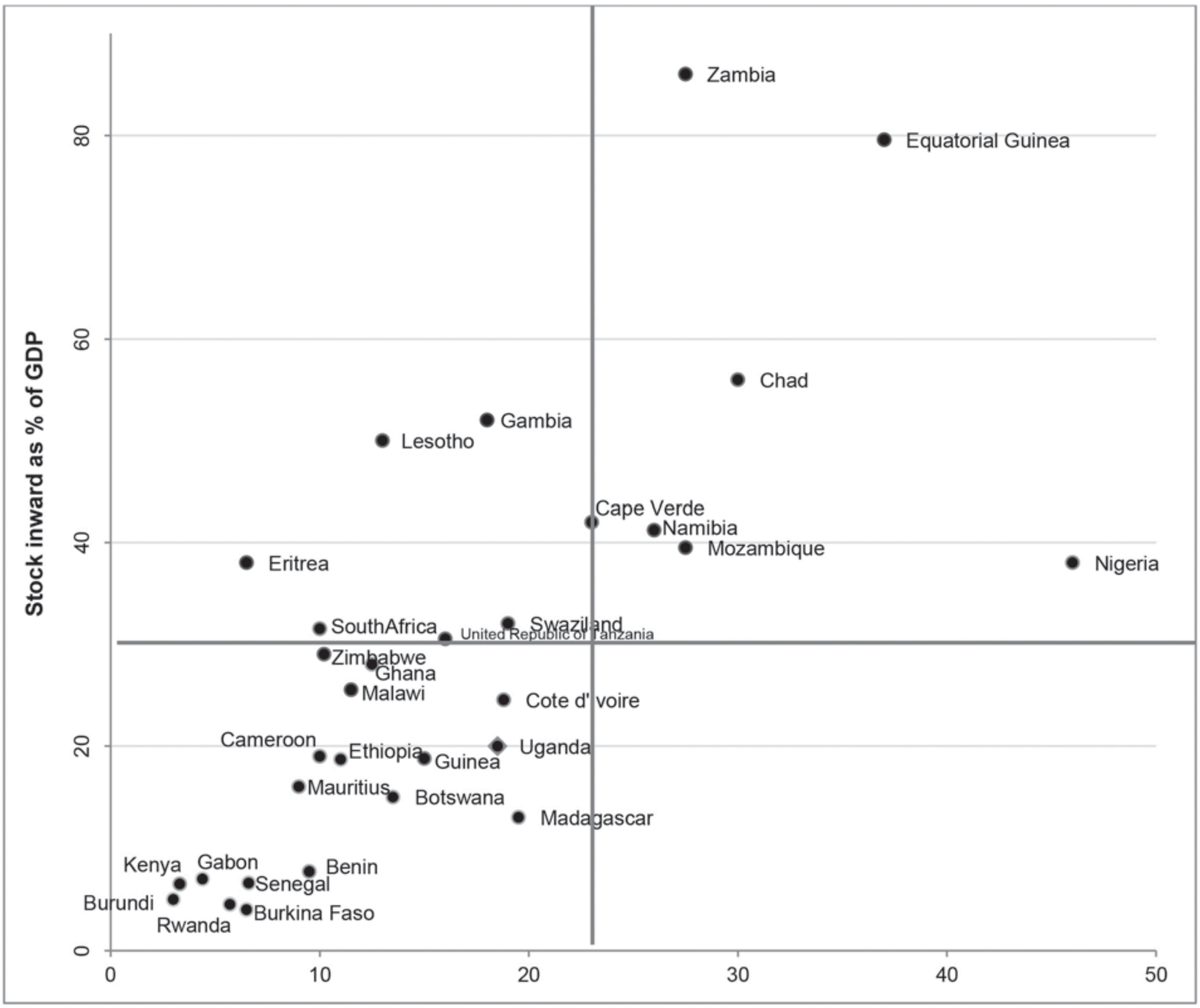


Source : IGC Staff Calculations and WITS Comtrade database

Figure 6.6 FDI plays a small role in Rwanda

Stocks and flows, selected countries (average 1999-2009)

Flows inward as % of gross fixed capital formation



Source : UNCTAD Database.

Several studies have pointed to ways policy might be improved to augment trade and enhance its positive effects on the economy. Four general areas are worthy of special attention:

- *Reducing the costs of trading and removing non-tariff barriers in the EAC.* Despite the removal of tariff barriers within the EAC, non-tariff barriers (NTBs) shackle trade growth. Much progress has been reported on improving the speed of border crossings and the efficiency of customs. Still, restrictive product standards, inefficient weigh bridges, and non-automatic licensing procedures drive up the cost of trading. DeMelo and Collinson (2011) calculated that the *ad valorem* equivalent of non-automatic licensing provisions increased the average tariff equivalent to six times the actual tariff level, from 5% to 30%. Progress on removing the 35 NTBs that EAC ministers had agreed to remove has been halting.

- *Improving incentives for private investors to export.* The tariff regime shapes relative price incentives to private producers, and high tariffs tend to make it more profitable to produce domestically than for export, biasing productive towards import substitution, usually with a cost penalty in growth.[2] Indeed, when Rwanda joined the EAC in 2009, it lowered its own average tariffs as it implemented the common external tariff, including importantly on imported intermediate inputs, and the effect was to expand its exports. Frazer (2012) calculated that when Rwanda lowered its tariffs on intermediate inputs from an average of about 12% to 7%, exporting firms increased their sales abroad by 5-10%. He went on to point out that further reductions in the common external tariff (CET) would contribute to even more vigorous export growth in Rwanda and the EAC. A second element in the policy-induced incentive system is the real value of the Rwandan Franc (RWF). Frazer (2012), like DeMelo and Collinson (2011), pointed out the importance of maintaining a competitive real exchange rate, ensuring that abundant capital inflows, mainly ODA, do not lead to a high value of the RWF that would dampen growth in exports.

- *Liberalising services trade.* Even though Rwanda is among the most open of EAC countries in services trade and has benefited from that openness, markets with the EAC are still highly segmented. The lack of competition in EAC telecommunications markets in the past, for example, has conferred a dominant position on MTN in Rwanda, mirrored by dominant producers in other EAC countries, and this has led to restrictive pricing that has impeded the expansion of the competitive fringe of operators (Argent and Pogorelsky, 2011). Similarly, lingering EAC restrictions on professional services are a regional brake on technological absorption and growth in the region and derivatively on Rwanda (Brenton and Gözde, 2012).

- *Investing in infrastructure.* Recent public investment in trade-related infrastructure and its sound regulation have markedly improved the quality of roads, air service, energy, and telecommunication services. This has already had a major impact in lowering the cost of both exporting and importing. Still, transport and energy costs remain relatively high, and further investments in trade-related infrastructure, together with the regulatory policies that influence its efficient use, remain a priority.

All this implies that, while trade has played a role in Rwanda's success over the last decade, its potential for contributing to growth has barely been tapped. With judicious continued action in these four areas, together with other on-going reforms, trade can inject renewed dynamism into growth. Combined with continued supportive inflows of foreign savings, Rwanda could well move its growth plateau from the 6-8% range of the past decade towards East Asian standards of 8-10% annual growth in the coming decade.

Aid for trade: the big picture

Measuring aid for trade

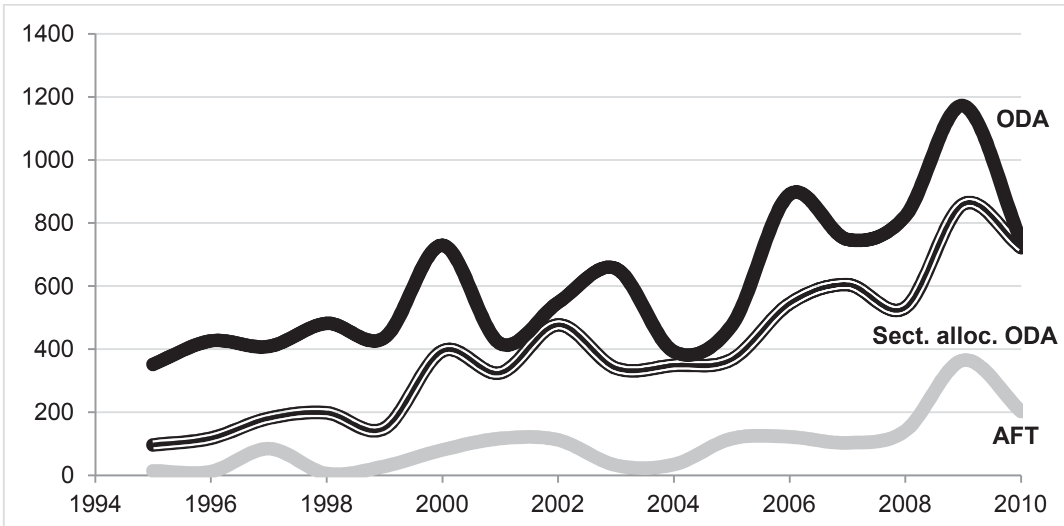
Rwanda has benefited from substantial inflows of development assistance. The OECD Development Assistance Committee (DAC) collects from its members concessional annual commitments and disbursements by project through the Creditor Reporting System (CRS). According to the CRS, commitments to Rwanda have surpassed USD 800 million since 2006, some 50% more than in the previous five years (Figure 6.7). Hovering between 15% and 25% of GDP in the last decade and providing as much as 40% to the national budget, these flows have played an important part in Rwanda's stellar growth performance since the mid-1990s. A fluctuating share of these flows is associated with a particular activity ("sector allocable") and comprises project-related development assistance as distinct from HIPC-related debt reductions and general budget support.

Following the 2006 WTO Task Force definitions of aid for trade, the OECD measures AfT broadly. Concerned with the capacity of countries to trade, WTO negotiators recognised that limitations on access to electric power, road transport or port facilities, or constraints limiting agricultural and industrial production, could prevent producers from taking advantage of new market access attained through the WTO negotiations. The Task Force recommended inclusion of ODA intended to help overcome supply side constraints.[3] As a result, it was decided that measures of "aid for trade" should include grants and concessional credits to trade-related infrastructure and productive capacity, as well as support to narrower technical assistance in trade policy and institutions. Within infrastructure, only water and sanitation were excluded. Development assistance to productive sectors includes ODA for agriculture, tourist infrastructure and the like. Typically, this results in aid for trade constituting some 25-30% of all ODA. Aid for trade in Rwanda has covered about one-quarter of commitments over the last few years. Disbursements have risen in a more stable pattern, save for the unusually large disbursement of non-sector allocable assistance associated with the debt reduction initiative (HIPC) in 2006. Disbursements of aid for trade, as measured by the OECD/WTO, have held steady at about one-fifth of total sector allocable aid in recent years (Figure 6.8).

Virtually all aid for trade (more than 95%) has gone into building capacity in the productive sectors and into infrastructure. Productive capacity includes projects such as livestock support, aid to agro-industries development, mineral resource certification, and tourism promotion services (Figure 6.9). In 1998-2002 most of these resources went to the productive sectors, but beginning in 2005 the balance shifted towards a more equal division between the productive sectors and infrastructure.

Figure 6.7 Rising development assistance and rising aid for trade

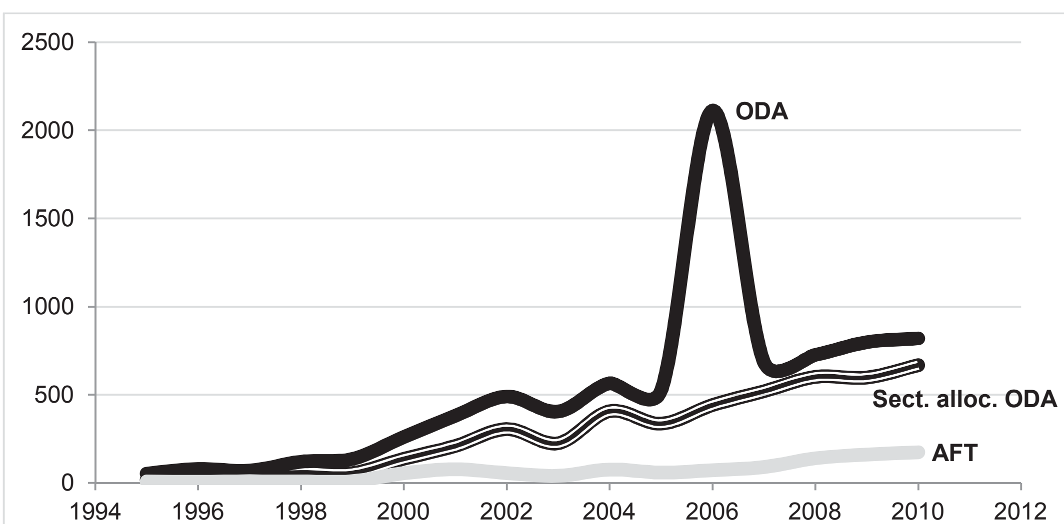
(Commitments, constant USED 2009 million)



Source : OECD Creditor Reporting System (CRS).
http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.

Figure 6.8 Rising development assistance and disbursements have risen in tandem

(Disbursements, constant USD 2009 million)

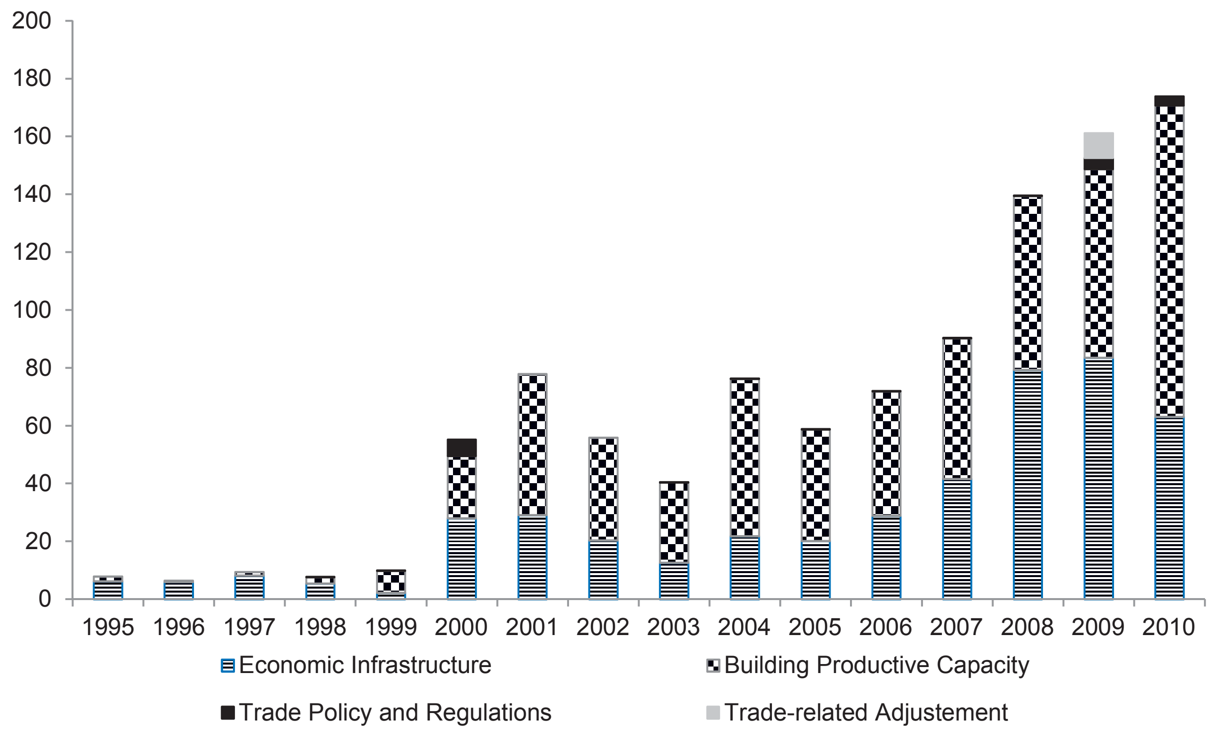


Source : OECD Creditor Reporting System (CRS).
http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.

Note: The committed ODA series does not capture general budget support in 2010, probably due to a reporting error; disbursements summed to USD 126 million. The unusually large disbursement of non-sector allocable assistance in 2006 was associated with the debt reduction initiative (HIPC).

Figure 6.9 Most aid for trade is for economic capacity and infrastructure

(Disbursements, constant 2009 USD million)



Source : OECD Creditor Reporting System (CRS).
http://stats.oecd.org/index.aspx?DataSetCode=CRS1#.

Aid for trade as seen from Kigali

The government began tracking commitment of development assistance and corresponding inflows in its Development Assistance Database (DAD) in 2006. ODA data captured in the DAD are reported by development partners on a quarterly basis and include grants and concessional loans (with at least a 25% grant element). These numbers, while correlating broadly, often differ from those in the CRS. This can occur because the DAD may not record all off-budget commitments and flows. For example, the United States channels much of its ODA in project form, implemented by themselves, NGOs and the private sector, so its numbers in the DAD do not reflect its full measure of aid for trade. Also, time recording may differ because commitments show up on the respective books at different times. In the case of AFT, DAD suffers from an incomplete allocation of projects by sector, which misleads any sectoral analysis (Box 6.1). Finally, the government generally measures aid for trade more narrowly and does not include some of the larger categories of OECD flows, such as for the productive sectors or for infrastructure. It should be noted that neither the CRS database nor the DAD includes non-OECD members (e.g. Brazil, China, and the Arab countries).

Box 6.1 Incomplete allocation of projects undermines analysis by sector

A shortcoming when working at the sector level with the DAD is that the data do not properly capture many projects (185 projects were misallocated in the sectors "unallocated" and "unspecified" between 2008 and 2012). For AfT, this understated commitments by about USD 210 million or 20% of the total during the period studied. The analysis of donor participation in AfT sectors was particularly erroneous. For example, assistance by the United States appeared to have been underestimated by almost 73%, thus giving a misleading picture of the second most important provider of AfT.

Using the sectors associated with OECD's measurement of aid for trade, the DAD produces a distribution of investments not dissimilar to that shown in the CRS. Over the period 2008-12, about 40% of inflows went to energy and transport infrastructure. Nearly half went to agriculture, and the remainder went for other productive capacities.

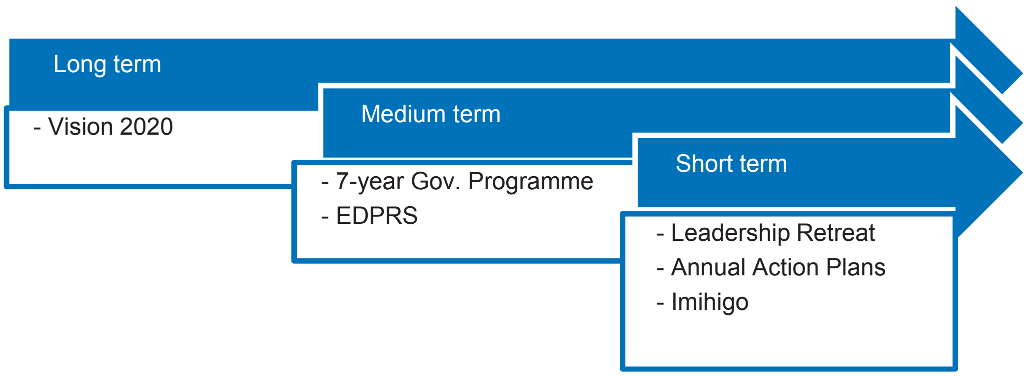
It should be noted that a large portion of ODA took the form of budget support; in fact, during this period general budget support was slightly higher than all aid-for-trade flows combined. This is important because these funds were supporting the overall public investment programme – much of which was destined for aid for trade sectors. More than three-quarters of this budget support comes from the World Bank (44%), the United Kingdom (26%) and the EU (11%). Moreover, as discussed below, donor disbursements of budget support are made in accordance with progress on a mutually agreed agenda of reforms, which includes some aid for trade measures. Of the 80 policies and/or actions monitored to support disbursement decisions under the budget support arrangements, 22 were measures pertaining to the AfT sectors. By this rough metric, one could infer that some 27% of budget support was supporting investments in the AFT sectors.

Rwanda has received aid for trade from a variety of donors. The largest donors are the World Bank (21%), the United States (12%), the EU (11%) and the United Nations (8%), followed closely by the African Development Bank (almost 8%) and Belgium (7%). While South-South co-operation is not officially recorded, government estimates indicate that non-DAC assistance represented 15% of external resources financing the national budget in 2010/11[4] These development partners are mainly working in the infrastructure sector, with projects in transport and energy. China, for example, has focused its activity in the transport sector, with fewer projects in agriculture. The OPEC Fund for International Development is supporting electricity access through a silent partnership with the World Bank. The Nigerian Trust Fund has invested in the electricity sub-sector. India, a more recent player in Rwanda, has also been active in the energy sector through funding a hydroelectric project.

Trade strategy and trade policymaking

By and large, the government's trade-related strategies recognise the shortcomings of the current trade structure. Policies have been designed that are directed at the four policy arenas summarised earlier as shaping future trade performance. Rwanda, like many developing countries, has a hierarchy of strategies that have informed policy (Figure 6.10). Vision 2020 is the long-term strategy; adopted in 2000, it is designed to bring the country to middle-income status by 2020, and has served as a foundation for the many subsequent medium- and short-term strategies and policies. It was constructed on six pillars, with a heavy weight (four out of six pillars) given to areas relevant for aid for trade: "(*i*) transformation of agriculture into a productive, high value, market oriented sector, with forward linkages to other sectors; (*ii*) development of an efficient private sector spearheaded by competitiveness and entrepreneurship; (*iii*) infrastructural development, entailing improved transport links, energy and water supplies and ICT networks; and (*iv*) promotion of Regional Economic Integration and Co-operation".[5]

Figure 6.10 Rwanda's hierarchy of planning and implementation strategies



The 7-year Government Comprehensive Programme (2010-17)

In addition, a new set of initiatives were developed in the 7-year Government Comprehensive Programme (2010-17) for the second mandate of the President. The Programme is consistent with the Vision 2020 and its stated overall goal of transforming Rwanda into a middle income country and phasing out its need for development assistance; some of the Programme's indicators were added to the Vision 2020 revised matrix to maintain a single policy framework. The strategy of the Programme has four pillars. Trade-related measures are mainly part of the Economy pillar. They include references to cross-border trade mechanisms, phytosanitary standards, and transport infrastructure. Some trade-related measures (e.g. fighting corruption and harmonising Rwanda's laws with those of the EAC) are also part of the Good Governance pillar. With its emphasis on institutional quality and regional integration, this long-term strategy is complementary to the Vision 2020. Nonetheless, most of its measures describe policy actions that do not translate into quantitative indicators and/or targets to track progress, apparently leaving prioritisation and sequencing to other strategic documents.

The Economic Development and Poverty Reduction Strategy (EDPRS)

In recent years, the Economic Development and Poverty Reduction Strategy 2008-12 has constituted the basic implementation plan for the Vision 2020. The EDPRS presented intermediate targets framed in terms of the Millennium Development Goals (MDGs), and outlined proposed actions and reforms to achieve the objectives of the Vision 2020 within its five-year span. To achieve its targets, the EDPRS elaborated three flagship programmes: Growth for Jobs and Exports, the Vision 2020 Umurenge Programme (VUP) (Rwanda's local development program) and a Governance flagship programme, together with complementary sectoral interventions. To realise its objectives, the EDPRS set out detailed institutional mechanisms. These included, for example, the processes of decentralisation, intersectoral co-ordination, improved public financial management, and communication. It also set out ways to promote more effective relations with donors in alignment with the EDPRS priorities, which are reviewed in some detail in the following section.

The flagship Growth for Jobs and Exports programme identified a set of policies and programmes requiring both public and private investments to increase productivity by reducing the costs of business, increasing innovation and developing the financial sector. It was envisioned as a three-phase programme, the first focusing on public investments, the second intended to improve productive capacity so as to increase the demand for labour, and the third focused on key sectors such as coffee, tea, horticulture, tourism, transport and logistics. The VUP, in parallel, was centred on eradicating poverty, with agricultural investments, rural credit packages, and social services provided to landless households.

The EDPRS 2008-12, like its predecessor the PRSP in 2002, is a strategic government plan. However, it is discussed at length with the development partners, whose views are taken into consideration. Once approved, the EDPRS constitutes the basis of donors' country strategies. Of the 73 targets proposed in the EDPRS, 25 could be interpreted as falling into "aid for trade sectors", including export growth, development of the financial system, measures to raise agricultural productivity, and infrastructure (power, roads and ICT) (Table 6.1).[6] To achieve the export growth target, the EDPRS also set out specific programmes for each of four leading exports (tea, coffee, minerals and tourism) designed to increase productivity, volume and quality; these numbered 24 in total.

Table 6.1 EDPRS and CPAF indicators related to aid for trade

AFT sector	EDPRS and *CPAF* indicators
Agriculture	**Outcome: Increased contribution of strategic exports to GDP** Revenue from strategic exports (tea, coffee, horticulture, hides and skins, minerals) in USD million **Outcome: Increased agricultural productivity** Area of marshland developed for agricultural use (hectares) Percentage of livestock in intensive systems Farm households to extension ratio *Mineral fertiliser used (MT)* *Percentage of agricultural land protected against soil erosion* *Production of key food security crops (1000 metric tonnes cereal equivalent)*
Tourism	**Outcome: Increased contribution of strategic exports to GDP** Revenue from tourism (in USD million)
Environment and natural resources	**Outcome: Increased contribution of strategic exports to GDP** **Outcome: Optimal utilisation of natural resources** Total revenue from exports of minerals products (in USD million) **Outcome: Optimal utilisation of natural resources** Forestry coverage (%) **Outcome: Optimal utilisation of natural resources** *Percentage of area of privately owned land held under written title or number of land titles issued* *Area of land protected to maintain biological diversity*
Banking and finance	**Outcome: Prudent macroeconomic management ensured** *Private sector credit (% of GDP)* Inflation rate (core inflation annual % change, end period basis) NPV of external debt (% of export earnings) Insurance coverage (excluding health insurance) (% of GDP) Net domestic financing (% of GDP)
Business and other services	**Outcome: Enhanced business climate** National investment (% of GDP) *Index on business environment* *Score of investor perceptions*
Transport	**Outcome: Economic infrastructure built** *Classified national road network in good condition (%)* *Classified district road network in good condition (%)*
Energy	**Outcome: Economic infrastructure built** *Number of electricity subscriptions* *MW of electricity installed*
Telecommunications	**Outcome: Economic infrastructure built** ICT penetration rate – voice (subscribers) and data (users)

Source: GoR (2007).

Trade policy, national export strategy and industrial policy

Even though the Rwanda Trade Policy was adopted in 2010, it had several antecedents, both in laying out an overall framework (through the Vision 2020 and the EDPRS) and building on sectoral strategies that had already been completed.[7] The Trade Policy had several objectives: increased productivity, competitiveness, and diversification of productive capacities; enhanced participation in regional and international trade; increasing investment (including FDI) in exports; improving skills; strengthening science, technology and innovation policies; and effectively organising internal trade. It provided an agenda of several medium-term approaches to achieving these objectives, but did not contain an action matrix. A main proposal was to convert the inter-ministerial National Development and Trade Policy Forum (NDTPF), originally set up to participate in the negotiations with the EU on the region's Economic Partnership Agreement (EPA), to mainstream trade into policy and to oversee the Enhanced Integrated Framework (EIF) activity.[8] The NDTPF, which comprises the Ministries of Trade, Finance, Foreign Affairs, Agriculture, Justice and Infrastructure, the Rwanda Revenue Authority and the Central Bank, as well as representatives of the private sector and academia, was intended to play a co-ordinating role for trade policy making.

A more elaborate and specific set of policies was laid out in the long-gestating National Export Strategy (NES). Its main objective was clear: to grow Rwandan exports from USD 336 million in 2009 to USD 890 million by 2015. It presented a comprehensive implementation plan covering ten cross-cutting areas: identifying market opportunities, trade facilitation and promotion, monetary and fiscal incentives to exporters, the business environment, finance and investment, infrastructure, branding, leveraging ICT, human capital development, and inclusivity/sustainability (gender, youth and environment). The NES also outlined well-defined interventions in eight specific sectors (tourism, tea, coffee, mining, business processing outsourcing (BPO), horticulture, home decor, and greenfield investment). It aggregated key elements of extant strategies for trade-related policies and infrastructure as well as sectoral strategies. Annexed to the NES was a comprehensive list of 56 actions for cross-cutting activities and targeted sectors, and a more detailed implementation table of budgetary requirements and list of institutional responsibilities.

The vision of the National Industrial Policy (NIP) was for Rwanda to have "competitive and advanced industrial and services sectors producing over USD 15 billion of exports by 2020 while increasing the number of off-farm jobs"[9]. The industrial sector currently contributes 15% of GDP, and it was planned that this would reach 26% of GDP in 2020. The policy document developed a strategy for industrial development based on increased production and export competitiveness, both relying on an enhanced business environment. Increased production and export competitiveness were to be supported by the government through sector-specific support to dynamic clusters selected according to criteria of desirability and feasibility. The supported clusters were to grow over time, moving downstream along the value chain. In the near term, agro-processing, ICT, high-end tourism, textiles and mineral processing were the supported clusters on which there was to be a focus. In the medium term, other sectors were added including construction materials, pharmaceuticals and chemical products; long-term sectors were building materials, bioplastics and other high tech industries. Similarly to the NES, the NIP was to be implemented over five years with detailed policy actions and responsible agencies and performance indicators.

A key innovation during this period was the organisation of a ministerial-level Industrial Development and Export Council to oversee implementation of the industrial and export strategies, which was to be convened under the auspices of the Ministry of Trade and Commerce (MINICOM). It comprised the Ministers of Trade, Finance, Infrastructure, Agriculture and Education, the Rwanda Development Board (RDB) and the Central Bank, as well as TradeMark East Africa and the Private Sector Foundation, among others. This group held its first meeting in February 2012 and a second in June of that year. Because the NES spans several ministries and agencies, MINICOM alone cannot supervise its implementation. The Industrial Development and Export Council

(IDEC) therefore assumes a heavy responsibility. To date, no systematic monitoring of progress on the 56 actions referred to above has been made public.

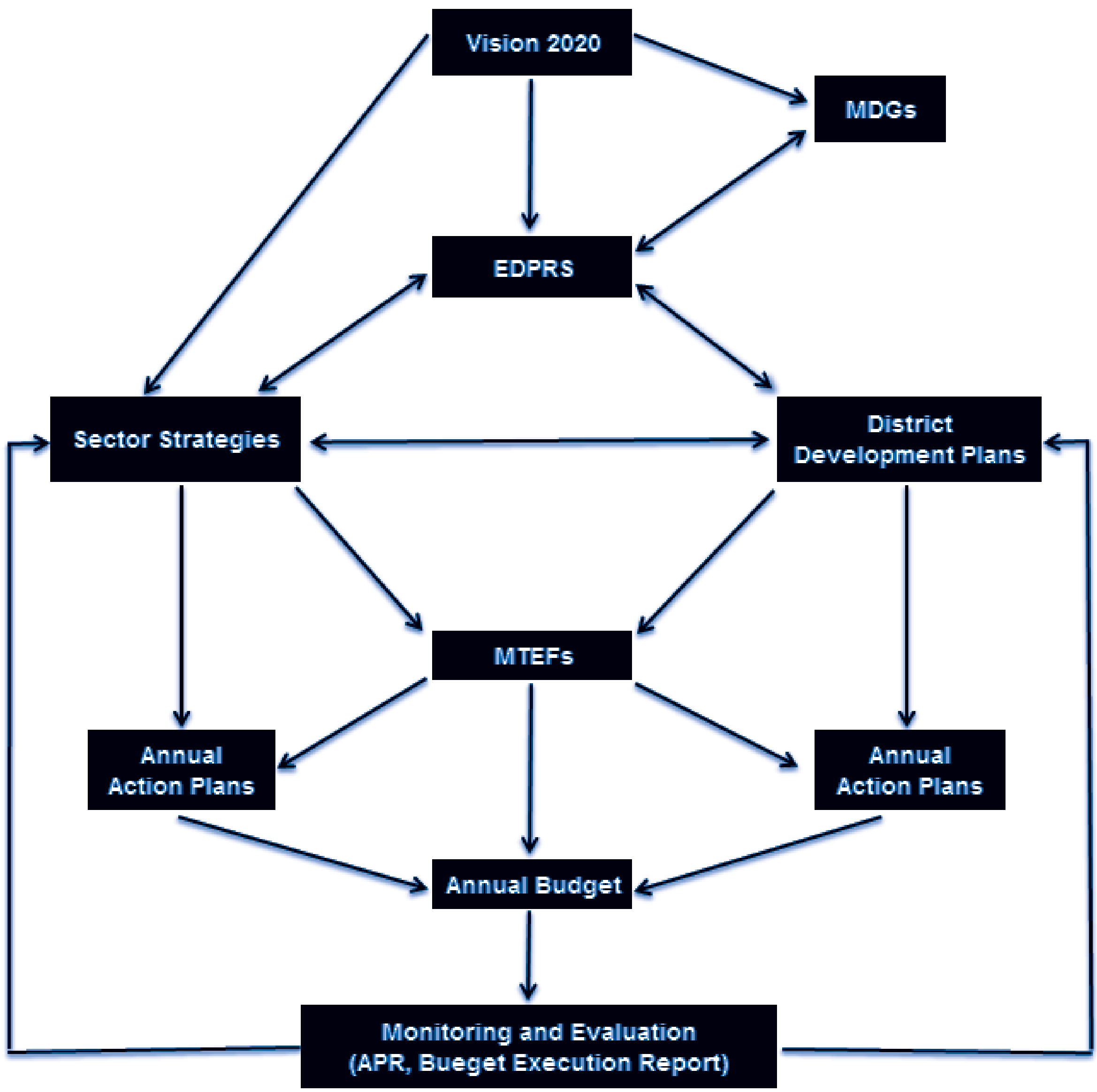
The results framework for ODA: strategy, planning and budgeting

The Economic Development and Poverty Reduction Strategy (EDPRS)

The Vision 2020 is the long-term strategic framework that influences the 7-year Government Comprehensive Programme and the EDPRS mid-term plan (Figure 6.11). The EDPRS 2008-12 set out specific targets for 2012 and the baselines that marked the starting point. As noted above, some 25 of the 73 targets and indicators were central to the broadly defined aid for trade agenda. To achieve these targets and track implementation of supporting policy measures, the EDPRS set up 16 Sector Working Groups (SWGs), chaired by both a ministry and a lead donor. These groups are tasked with preparing Sector Strategy Plans (SSPs) that design monitorable indicators, outline budgetary requirements, review *ex post* performance annually, and feed the sector results back into the annual EDPRS review.[10]

Each sector produces an Annual Action Plan (AAP) drawn from the SSP and other commitments (see below), which are prerequisites for the budget negotiations with the Ministry of Finance and become the ministries' roadmap for the fiscal year. In an effort to synchronise national and local level policy making and improve implementation, local governments also take an active part in the planning process by developing district development plans in parallel with agencies in the central government. All AAPs contain policy actions linked to outputs and EDPRS outcomes via the SSPs. These relations, together with feedback loops into the next year's planning process, are illustrated in Figure 6.11.

Figure 6.11 Rwanda's planning framework for the EDPRS



Source : MINECOFIN (2012).

Managing for results

When the preliminary budget ceiling for the year to come is sent by the Ministry of Finance to the other ministries, the Annual

Performance Report (APR) from the previous year is put together with the Joint Sector Review (JSR) to produce a Strategic Issues Paper (SIP).[11] This document gives background and justification for a ministry's budget submission, included its preliminary

Annual Action Plan for the coming year. It summarises the main current policy issues, focusing especially on sector priorities. This is an important tool "in helping planning and budgeting to be more of a strategic than historical process" (Versailles, 2012a). To guide consideration of the Budget Law, the parliament receives information on AAPs and Imihigo contracts,[12] summarised in a Government Annual Report developed by the Office of the Prime Minister. Recommendations from the Leadership Retreat (see below) also influence the Budget Law. The monitoring data provided by these tools are crucial for guiding investment decisions across most performing projects.

Incorporating ODA into planning and budgeting

Because a large share of the budget is donor-financed, the government has structured interactions with donors at each stage of the annual planning, programming and budget cycle. To ensure donor co-ordination, it has developed successive guidelines for donors, the latest of which is the Rwanda Aid Policy Manual of Procedures in 2011. These procedures are to ensure that ODA is guided by the Paris Principles. In particular, the government created a "division of labour to promote greater harmonisation and alignment of donors with national priorities and EDPRS implementation".

In the planning phase, as outlined above, Sector Working Groups (SWGs) jointly chaired by the Ministry of Finance and a donor, with the full participation of the relevant development partners and ministries, formulate the Sector Strategy Plans (SSPs) which are integrated with the Annual Action Plans. In those sessions, annual monitoring indicators deemed particularly important to achieving the EDPRS targets are chosen to accompany the EDPRS/Common Performance Assessment Framework (CPAF) indicators. Then, in the budgeting process, the Ministry of Finance works closely with donors providing budget support – the Budget Support Harmonization Group (BSHG) – to agree on the CPAF to be used by all as tranche release triggers.

Monitoring and evaluation

The government monitors and evaluates its own performance through four main channels that cascade down from general and comprehensive indicators economy-wide to specific and focused ones at the ministerial and project level, often with donor support and participation:

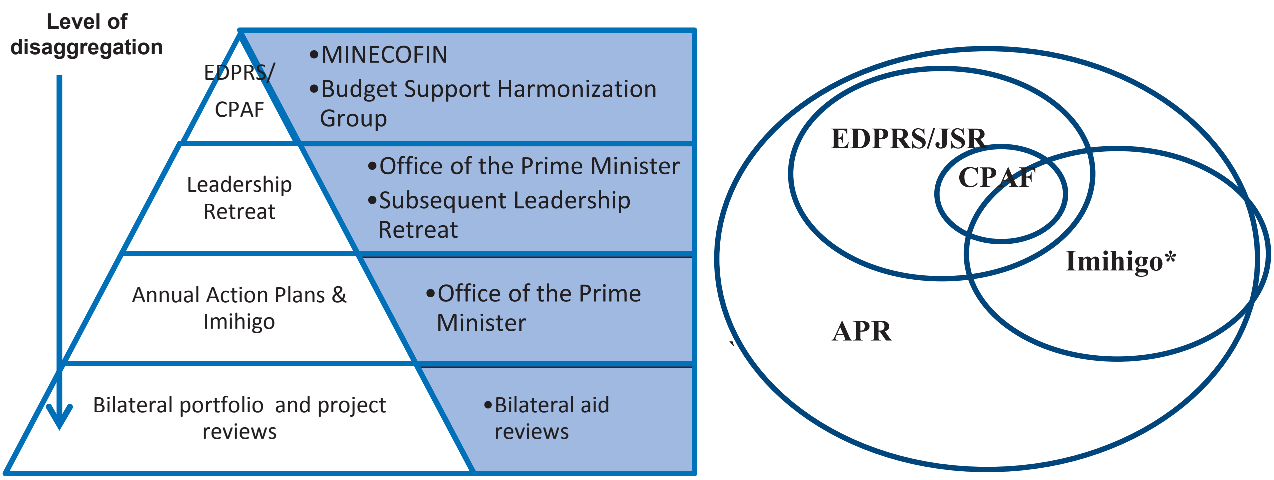
1. Through the Joint Sector Review (JSR), the SWG monitors delivery on the EDPRS indicators for the sector and, in particular, those chosen under the Comprehensive Performance Assessment Framework as triggers for budget support disbursements. JSR and CPAF performance is monitored by the Ministry of Finance and ultimately by the development partners.

2. The Leadership Retreat, an annual event where representatives of top levels of the government discuss the most pressing cross-cutting constraints, monitors progress on commitments taken in this forum.

3. The Annual Action Plans (AAPs), derived from SSPs, and other commitments are monitored by the Office of the Prime Minister. Each institution produces an Annual Performance Report that provides information on the achievement of pre-set targets. In parallel, in a process that is becoming more and more streamlined, ministers are expected to deliver on Imhigo performance contracts, indicators for which are closely tied to the AAPs.

4. Finally, the government and development partners monitor project performance through Country Portfolio Performance Reviews for all donors and steering committees for bilateral donors, as well as regularly at the project level.

Figure 6.12 Overlapping monitoring and accountability systems



Note: Leadership Retreat not included as its themes vary from one year to the next.

These have a hierarchy of different but overlapping sets of indicators (Figure 6.12). At the highest level, the EPDRS/CPAF indicators are broad. Lower levels of government performance plans put much greater emphasis on actions as well as on indicators/targets; hence the Leadership Retreat and Imihigo demand many more detailed actions and are chosen as a combination of the most pressing and cross-cutting issues. Bilateral project reviews, at the other end of the spectrum from the EDPRS, are detailed reports on project implementation. Each set of indicators merits further elaboration.

M&E Channel 1: The Common Performance Assessment Framework

The SWGs monitor the Comprehensive Performance Assessment Framework (CPAF) and any EDPRS indicators relevant to the SWGs. Because CPAF indicators are triggers for budget support disbursements, they are especially important. To carry out the evaluation, at the end of the year the government and donors conduct a Joint Sector Review (JSR) for each Sector Working Group (SWG). The SWGs review progress in achieving the key performance indicators, in implementing the agreed actions, and in executing budgeted investments. Through each SWG (and ministry), the government (with input from the donors) reviews implementation and notes which indicators have been achieved, which are delayed, and which are off track and in need of immediate remedy.

While SWGs can meet six to eight times per year to discuss implementation of sector plans, two meetings are common for each group. A forward-looking meeting usually takes place in April and is intended to review indicators that will be chosen for monitoring. During the forward-looking meeting of the Joint Budget Support Review, CPAF indicators are validated and donors signal to the government their anticipated budget support for the three years to come so that this can be incorporated into the budget cycle that begins the following July.

A backward-looking meeting is held, usually in October-November, to assess performance on the indicators. These discussions focus mainly on determinants of the indicator outcomes, and are then aggregated and discussed in the Joint Budget Support Review. During the backward-looking meeting, the EDPRS and CPAF indicators are reviewed along with the Development Partners Assessment Framework (DPAF) indicators (see below).

Altogether, the CPAF annually monitors performance using 45 indicators. Each indicator is associated with a Sector Working Group responsible for its monitoring and for designing policies to achieve the targets. If we refer to the broad OECD/WTO measure of aid for trade, 12 of the 45 indicators are trade-related. For example, indicators for private sector development include annual performance on the index of business environment and the Investor Perception Index.

Table 6.2 Common Performance Assessment Framework (CPAF) - aid-for-trade indicators

Sector Working Group	No.	Indicator	Baseline	Actual	Target	Actual
			2006	2009/10	2010/11	2010/11
Private Sector Development	1	Index on business environment	36	60	63.4	60.1
	2	Investor perception index	n.a.	71.2	71.2	72.2
Financial sector	3	Credit to the private sector (as % of GDP)	10	11,7	11.7	12.8
Energy	4	No. of electricity customers	91 332	159 516	200	215
	5	MW of installed capacity	45	84	90	97.44
Transport	6	% of national roads in good condition	11	38.1	23	59.9
	7	% of district roads in good condition	15	23	36	15.1
Agriculture	8	% of land managed for soil erosion	40	80.9	60	87.3
	9	MT of fertiliser used	14 000	27 906	39 200	44 003
	10	Production of key food crops[a]	1 611.8	2 996.5	1 934.8	3 000
Env. and natural resources	11	No. of land titles issued	8 000	500 000	3 024 000	6 380 030
	12	% of land protected for biodiversity	8	8.8	9.2	10.1

Source: MINECOFIN, “Common Performance Assessment Framewor”, October 2011.
[a] Measured in 1 000 MT cereal equivalent.

A review of the main aid for trade sectors indicates strong performance, if with room for improvement. Following convention in other countries, performance on indicators is rated green if the indicator is on-track towards achieving the long-term goal in the EDPRS, yellow if it is falling behind by a specified amount but it would be possible with additional effort to recoup later, and red if there is a danger of failing to achieve the long-term target.[13] According to these indicators, among the aid for trade sectors energy, agriculture, and natural resources are solidly on track; private sector development is not far behind (Table 5). Transport has one red indicator: the Ministry of Infrastructure hoped to reach 36% of district roads in good condition in 2010/11, but fell far short at 15%. By and large, the aid for trade sectors perform only slightly less well on their indicators than do all ministries and agencies: 83% of indicators are green for the AfT sectors as compared to 87% for the whole government.

Policy implementation has proceeded somewhat more problematically. Relative to averages for the group of sectors and for all sectors, implementation has lagged notably in transport and in environment and natural resources. MINIFRA has not been able to fully develop a mechanism to distribute road maintenance funds to executing agencies (mainly at the district level); similarly, it had not completed a performance framework to evaluate annual performance. MINELA received "not fully achieved" marks for two policies because it had not finished developing land use plans for subnational units; land tenure regularisation, supported by DFID's cadastre programme, had also fallen behind its projected (if ambitious) timetable. All of this has meant that in 55% of cases (12 out of 22) major policies were implemented, a somewhat lower rate of full implementation than in all sectors.

In fact, policy implementation is monitored with varied consistency across the sector working groups. Among donors, the World Bank and African Development Bank monitor policy implementation most closely and take this into account in decisions to disburse. This is because they often have greater sectoral technical expertise and can engage the government in serious strategic policy discussions at the sectoral level. Moreover, in JSR discussions differences in interpretation of the degree of policy implementation may surface, so on many occasions the performance indicator offers a more tangible guidepost for decision-making.

Table 6.3 Common Performance Assessment Framework (CPAF) - aid for trade performance

	Degree of implementation			
	Green/ fully achieved	Yellow/ not fully achieve	Red/ poor performance	% fully
Private Sector Development				
Indicators	1	1	0	50.0
Policies	2	2	0	50.0
Financial sector				
Indicators	1	0	0	100
Policy	2	0	0	100
Energy				
Indicators	2	0	0	100.0
Policies	1	3	0	25.0
Transport				
Indicators	1	0	1	50.0
Policies	1	3	0	25.0
Agriculture				
Indicators	3	0	0	100.0
Policies	5	0	0	100.0
Env. and natural resources				
Indicators	2	0	0	100.0
Policies	1	2	0	33.3
Total AFT sectors				
Indicators	10	1	1	83.3
Policies	12	10	0	54.5
Total all sectors				
Indicators	34	1	4	87.2
Policies	53	27	0	66.3

Source: MINECOFIN, "Common Performance Assessment Framework ", October 2011.
Note: Six indicators were considered inapplicable because of data unavailability or because they were not due for assessment

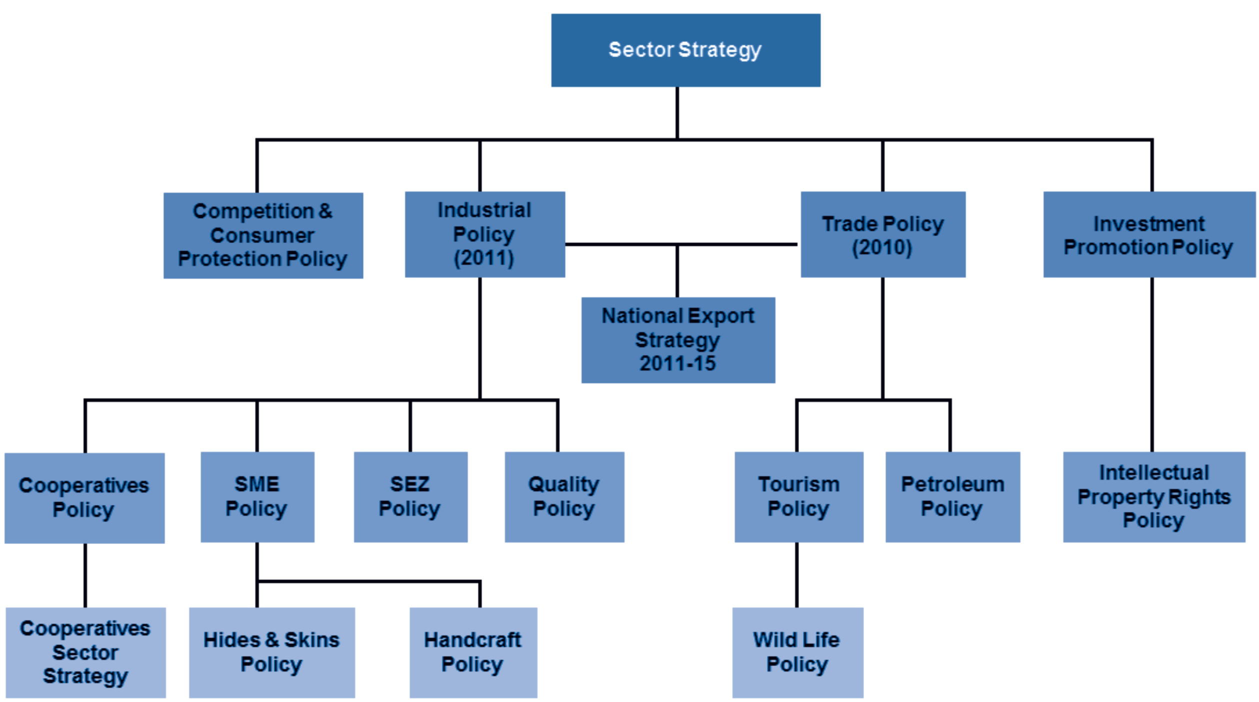
This said, three conclusions are worthy of note. First, this rate of achievement of indicators and implementation of substantive policies is arguably considerably higher than in most other low-income countries, including many with higher per capita incomes. Second, the government, with this sophisticated M&E process, has put itself in a position to monitor aggressively its own successes – and to take remedial action in the event of shortcomings through performance feedback loops into high levels of policy making. Third, the M&E framework might be improved if discussions in the SWGs had the benefit of more systematic evaluations of past AfT interventions.

A focus on PSD SWG-EDPRS monitoring

While many SWGs (e.g. energy, transport and agriculture) are important for broad measurement of aid for trade, at the apex of trade policy is the Private Sector Development Sector Working Group (PSD SWG). Within its purview fall many subsectoral strategies that have been in operation for a half decade or more, if on an *ad hoc* basis. Unlike other sectors, the PSD SWG had not articulated a sector strategy, mainly because of the diverse set of activities that fell into its domain (Figure 6.13). With the recent EDPRS self-evaluation, the PSD cluster decided to formulate such a strategy, which was due to be completed by the end of 2012. The idea was that it would take its overall guidance from the EDPRS 2012-17, due for adoption in 2013, and pull together the myriad of policies from the other subsectors below.

In the absence of a cohesive SSP, proposed approaches and actions as specified in the many subsectoral strategies are allocated to the responsible units and then folded into ministry-level action plans. The weakness of this process rests in the allocation of strategies – often cross-cutting – to specific units with limited implementing power and low capacity. The result of the process is the virtual impossibility to track year-to-year execution of individual strategies. Aware of this issue, the government has embarked on developing a comprehensive PSD strategy as part of the EDPRS 2012-17.

Figure 6.13 Sector policies in the PSD SWG domain



Source: MINICOM (2011c).

Rwanda has performed well according to all three indicators of the EDPRS indicators tracked in the PSD SWG (Table 6.4). Investment as a share of GDP has steadily grown, export revenues have been particularly buoyant, and revenues from tourism have over-performed targeted outcomes. Among the CPAF indicators, only performance in regard to the Index of Business --Environment was below target.[14] Rwanda's improvement on the Doing Business scale from 139 in 2009 to 52 in 2013 should herald an improvement in its performance on this index.

Table 6.4 EDPRS PSD SWG indicators and targets in the CPAF

Indicator	Baseline 2006	Target 2010/11	Actual 2010/11	Target 2011/12	Actual 2011/12
Index on business environment	36	63.4	60	65.6	
Investor perception index	..	71.2	72.2	72	74.4
Per cent of investment in GDP	16	19	22	21	25
Revenues from exports (goods), USD mil.	121	245	305	344	429
Revenues from tourism	42	225	227	244	252

Source: MINICOM (2011), "Private Sector Cluster Forward Looking Joint Sector Review Summary Report", April 2011. PSD EDPRS-2 Sector Priority Document.

The policy actions contained in the CPAF matrix were fully achieved. For example, the policy action on one-stop border posts (with the help of the DFID-financed TradeMark East Africa) was fully achieved. The one task not yet fully achieved is the draft law on Public-Private Partnerships (PPP) law. This is not for lack of progress. The government has wisely solicited comments from outside experts, and the law is currently under revision.[15] The JSR Sector Performance Report 2011/12 conveyed a textured discussion on the progress on several other actions.

The SWG also monitors budget execution associated with sector activity. Key trade-related institutions generally managed their budgets effectively, but at times ambitions exceeded their ability to deliver (Table 6.5). Trade-related institutions as a whole spent about 82% of their allocated budget during 2011/12. The RDB had the lowest execution rates, largely a reflection of their taking on new assignments and establishing new departments, which required greater than expected time to ramp up.

Table 6.5 Budget performance of trade-related institutions, 2011-12

	Allocated RWF mil.	Executed	Utilisation rate
MINICOM	10 649	10 260	96.3
MINEAC	1 426	1 196	83.9
RDB	43 204	33 519	77.6
NAEB	1 720	1 705	99.1
Total	56 999	46 680	81.9

Source: MINICOM (2012), "PSD SWG Joint Sector Review : Sector Performance Report 2011-2012".

M&E Channel 2: The Leadership Retreat

The Leadership Retreat, which takes place in the first quarter of each calendar year, is an occasion for representatives of the top layers of government to discuss the most pressing issues in the country. Resolutions from the Leadership Retreat are of a short-term nature and their implementation in the coming year is discussed.

Every year a theme guides the meeting. For example, in 2011 the theme was "Accelerating the progress to Vision 2020". It consisted of monitoring the half-way progress towards the Vision 2020 outcomes. The retreat identifies development challenges around the chosen theme and discusses policy actions for response. This results in a list of policy measures expected to be implemented (as distinct from economic outcome variables), many of which feed into the Annual Action Plan of ministries or ministers' performance contracts with the President (see below).

Aid for trade sectors played an important role during the 2011 Leadership Retreat (Table 6.6). Out of 70 high priority policy actions selected to achieve the Vision 2020 objectives, 52 were related to AfT sectors. In 2012 monitoring of implementation showed relatively better performance by AfT sectors compared to the rest, with 77% of policies fully implemented during the year as opposed to 74.3% for all sectors.

Nonetheless, the fact that the 2011 Leadership Retreat focused on mid-term development challenges was more the exception than the rule. Some senior officials have suggested that Leadership Retreats tend to focus on many short-term, even emergency issues, rather than on EDPRS outcomes. Moreover, as the retreat takes place close to the date for submission of the budget, delivering on commitments made during this forum has been a challenge for ministries. For this reason, the government is considering moving the date of the retreat forward in the year.

Table 6.6 Leadership retreat aid for trade performance in 2011

AFT priority action	Degree of implementation				Green (%)
	Total number of policies	Green	Yellow	Red	
Private sector development					
Increasing the number of viable SMEs	23	21	2	0	91.3
Investment promotion and corporate governance	11	10	1		90.9
Energy					
Increase electricity generation and access	9	4	0	5	44.4
ICT					
Utilisation of ICT as enabling factor	9	5	3	1	55.5
Total AFT sectors					
Policies	52	40	6	6	76.9
Total all sectors					
Policies	70	52	11	7	74.3

Source: GoR, "Review of the Implementation of the National Leadership Retreat, 2011," 2012.

M&E Channel 3: Annual Action Plans and Imihigo Performance Contracts

Each ministry has an annual performance review, and the trade-related ministries associated with productive capacity and infrastructure are no exception. Here we focus more narrowly on the Ministry of Trade and Commerce (MINICOM) and the Ministry of the East African Community (MINEAC), the ministries most centrally and directly charged with oversight of all trade-related issues.

Before delving into the details, it is worth giving a little background on one of the more innovative domestically developed M&E systems: Imihigo performance contracts. These performance contracts between local entities and the President were initially developed because of the importance of implementation and the need to link subnational entities into the development process. They tend to focus on programme implementation without reference to larger performance indicators; the objectives can be anything from implementation of key programmes and reforms to improved service delivery. In 2011, following complaints from local governments that delayed disbursements and poor performance at central level were hindering performance, performance contracts were also introduced at the national level. The Imihigo for central government institutions are relatively new and are still finding their place in the policy planning cycle. While Versailles (2012e) points out that the Imihigo is not always well aligned to national strategy and thus not captured in the budget process, interviews with government officials stressed that it is becoming ever more integrated. Today it is often linked backwards to the Annual Action Plan (AAP) so that deliverables are picked from the AAP rather than being adding to it, thus reinforcing incentives for ministries to deliver on their plans and avoiding diverting attention from them.

Performance against the Imihigo is evaluated following a nation-wide forum known as the "national dialogue", chaired by the President. This public dialogue is an open forum in which all national and district authorities are brought together to review government performance in front of the citizenry. It is open to the public and televised throughout the nation in three languages. Rwandans from any part of the country can call in to register a complaint or a concern, ask a question, and hear a minister or district official's response.

This can lead to substantial changes in programme implementation. For example, in the 2009 national dialogue a citizen called to complain that the "one cow programme" was being mismanaged in his village. This programme is intended to distribute a milk cow to every poor household with the means to support it. There are some 250 000 of these households. At the time, about 100 000 cows had been distributed. The caller complained that, in his district, town officials were getting cows but not the poor. Subsequently, at the President's request, the Minister of Agriculture investigated. When the misallocation was found to be widespread, the ministry sent out teams to relocate the misplaced cows and around 20 000 were given to new owners.

Below, the cases of the Ministry of Industry and Commerce (MINICOM) and the Ministry of East African Community (MINEAC) are considered.

MINICOM

In 2009 the Ministry of Trade and Commerce produced a 2009-12 Strategic Plan.[16] It set out five objectives: to increase the value of existing exports; to diversify the export base; to facilitate trade; to increase investment; and to improve the business environment to facilitate private sector growth. Under each of these objectives a series of six indicators of progress were listed, together with targets for 2012 (Table 6.7). A monitoring and evaluation framework comprising 30 indicators was annexed. More important, the Strategic Plan also put forward an Implementation Framework that presented 113 ministerial initiatives categorised into four areas (M&E, policy analysis, stakeholder engagement, and formulation of policy and legislation). Each initiative was costed for eventual inclusion in the budget. One problem advanced in the PSD SWG was that costing was at times unrealistic, and so proposed budgets do not necessarily find their way into actual budgets.

Table 6.7 Ministry of Trade and Commerce (MINICOM) - Strategic Plan 2009-12

	Number of Indicators	Number of initiatives	Cost RWF mil.
Increase value of exports	6	20	1 365
Diversify exports and build regional hub	6	14	1 030
Facilitate trade through integration and standards	6	23	5 210
Increase investment and quality in productive sectors	6	30	4 595
Promote an environment conducive to the private sector	6	26	2 240
Total	30	113	14 440

Source: MINICOM, "Strategic Plan 2009-12".

This Strategy informed the Annual Action Plan (AAP) and its corresponding end-of-year Annual Performance Report (APR). The 2011/12 APR for the Ministry of Trade uses a slightly different formulation of objectives and indicators than the MINICOM Strategic Plan for 2009-12. The APR reviewed 123 policy actions intended to have been completed in the previous year. For each a baseline and a forward-looking, usually quantitative target were recorded, together with some detail on the state of implementation. Nearly half of these focused on increasing productive capacity.

According to self-scoring by the ministry, about three-quarters of the anticipated policies were implemented according to schedule. The business climate measures, intended to produce an increase in overall investment, were implemented with greater consistency than other measures designed to achieve the other three outcomes (Table 6.8). This is probably because the business climate measures involved the drafting and/or passage of laws which are somewhat easier to implement than detailed programme administration.

Table 6.8 Ministry of Industry and Commerce (MINICOM) - Annual Performance Report 2011-12

	Targeted actions	Green	Yellow	Red	Green (%)
Outcome 1: Increase export growth	22	16	5	1	72.7
Increase share of GDP, lower trade deficit					
Outcome 2: Enhanced business climate	15	14	1	0	93.3
and increase in investment/GDP					
Outcome 3: Increase share of services and	67	51	16	0	76.1
manufacturing in GDP; industry growth at 12% annually					
Outcome 4: Enhanced capacity building for delivery	19	14	5	0	73.7
Total	123	95	27	1	77.2

Source: MINICOM (2012), "Annual Performance Report 2011-12".

MINICOM's Imihigo 2012-13

The 2012-13 Imihigo performance contract for the Ministry of Trade and Industry is designed around three key outcomes that seek to address the Vision 2020 targets and EDPRS PSD sector priorities (Table 6.9). The Office of the Prime Minister pointed out during the 2010-11 Imihigo evaluation that MINICOM had to improve its M&E system.[17] Thus, in the 2012-2013 performance contract a commitment to make a sector management information and co-ordination system operational was included. Trade policy monitoring will be achieved through policy actions such as the production of monthly reports with key sector performance indicators, and improving the capacity to undertake the requisite monitoring and analsyis will absorb 15% of the total budget allocated to MINICOM.

Nonetheless, the Office of the Prime Minister in its annual review highlighted some of the system's shortcomings: planned interventions are not always linked to impacts (e.g. targets are sometimes limited to achievement of the policy action and not to quantitative results). For example, the output "managerial and financial technical assistance provided to 150 co-operatives" is not linked to the number of co-operatives trained that received financial support, but rather to the number "linked to financial institutions". Or the output "10 SME product clusters (…) accessing local and regional markets" is not evaluated by the number of these SMEs that increased participation in those markets (or other such measures), but rather "the number of SME product clusters organised". The Office of the Prime Minister went further, suggesting that this kind of assistance should be monitored by indicators such as the increase in the level of productivity or the number of jobs created.[18]

Table 6.9 Ministry of Trade and Industry (MINICOM): Imihigo performance contract 2012-13

Outcome	Number of indicators	Number of Initiatives	Cost RWF mil.
Outcome 1: Export growth of 28% p.a. reducing the trade deficit to 10% of GDP by 2020	4	12	272
Outcome 2: Share of services and manufacturing in GDP increased with overall industry growth of 14% p.a. (Vision 2020 revised targets)	20	43	13 538
Outcome 3: Improved institutional capacity for delivery	2	4	2 438
Total	**26**	**59**	**16 248**

Source: GoR (2012), "Ministries' performance contracts 2012-13".

MINEAC

To ensure the mainstreaming of regional integration into national planning and priority setting, a MINEAC developed a National Policy and Strategy on EAC Integration in 2012.[19] The strategy highlighted six issues, one of which was mainstreaming regional integration into Rwanda's development planning, particularly through the inclusion of indicators for monitoring regional integration in the next EDPRS.[20] The policy also set out an institutional framework around a Ministerial Committee, which is in charge of overall decision making. Of the 16 SWGs, 9 have responsibility for co-ordinating regional issues between sectors and facilitating the preparation, implementation and progress monitoring of EAC-specific projects and programmes. In particular, because EAC integration implies that trade policy making and implementation flexibility will be increasingly transferred to EAC institutions, SWGs will collaborate with the NDTPF to connect the MINEAC institutional framework with the MINICOM trade policy.

The National Policy and Strategy on EAC Integration is based on the three priorities for regional integration identified in the Vision 2020: market access, investment promotion, and infrastructure development. With regard to infrastructure development, there is particular strategic interest in the transport and energy sectors. Moreover, as regional integration is of cross-cutting in nature, priority interventions across 16 areas of co-operation were identified and regrouped into the three EDPRS clusters (economic, social, and governance) plus one cross-cutting area. Out of these, eight are related to aid for trade: trade liberalisation and development (e.g. removal of NTBs, one-stop border ports); investment and industry (e.g. large-scale regional infrastructure projects); monetary and financial affairs (e.g. increase competitiveness of local financial institutions); standardisation, quality assurance, metrology and testing (e.g. standards harmonisation, sharing of metrology and testing facilities); infrastructure and services (e.g. increase regional electricity generation capacity, diversify regional transport modes, extend geographic reach of ICT networks); agriculture and food security (e.g. landscape restoration); environment and natural resources management (e.g. regional co-operation on shared resources such as Lake Victoria); and tourism and wildlife management (e.g. the regional tourism industry). Furthermore, the strategy recognises that "the implementation of Rwanda's EAC commitments and the integration of EAC priorities into Rwanda's development agenda have been *ad hoc* in nature". It also recommends that "regional integration must be mainstreamed into the medium-term framework for Rwanda's planning and development, i.e. the EDPRS and the MTEF".

The Ministerial Committee formed by MINEAC reports quarterly to Cabinet on the implementation of the EAC integration agenda and makes recommendations to the Office of the Prime Minister. SWGs are the main channel for monitoring at the sector level. According to the MINEAC Annual Performance Report for 2011-12 (Table 6.10), 51 of the 52 targeted actions have been fully implemented. Almost half of them are related to aid for trade sectors and all have received a 100% green rating. Nonetheless, most AfT policy actions focus on the production of reports about Rwanda's position on specific EAC issues, rather than on the implications of their recommendations for future planning and budgeting in order to achieve an increase in regional integration. This may be due to decisions increasingly being taken in co-ordination with EAC partner states, though clearly some actions can be taken unilaterally.

The fact that some of the MINEAC outputs, indicators and targets are not well-formulated or strongly linked has already been pointed out by the Office of the Prime Minister in its evaluation of the Imihigo for 2010-2011.[21] This also seems to be the case for the latest APR. Indeed, a missing link between indicators and outcomes appears when, for example, the targeted policy action of producing "a report on the removal of existing restrictions on the provision of services in Rwanda" is related to the outcome "increased level of Rwanda's Integration in EAC Economic and Financial Affairs".

Table 6.10 MINEAC Annual Performance Report 2011-12

	Targeted actions	Green	Yellow	Red	Green (%)
Outcome 1: Increased level of public awareness on EAC integration process	7	6	1	0	85.7
Outcome 2: Increased level of institutional effectiveness and participation of national stakeholders in EAC integration	4	4	0	0	100.0
Outcome 3: Increased level of Rwanda's integration in EAC political, legal and judicial affairs	14	14	0	0	100.0
Outcome 4: Increased level of Rwanda's integration in EAC economic and financial affairs	10	10	0	0	100.0
Outcome 5: Increased level of Rwanda's integration in EAC productive sectors	3	3	0	0	100.0
Outcome 6: Increased level of Rwanda's integration in EAC infrastructure sectors	4	4	0	0	100.0
Outcome 7: Increased level of Rwanda's integration in EAC social sector	4	4	0	0	100.0
Outcome 8. *Effective co-ordination of EAC integration processes.* ***Leadership Retreat (Gov) 1***	1	1	0	0	100.0
Outcome 9: Effective monitoring and evaluation of EAC activities	5	5	0	0	100.0
Total	52	51	1	0	98.1

Source: MINEAC (2012), Annual Performance Report 2011-12.

MINEAC's Imihigo 2012-13

MINEAC has no power over other ministries or the partner EAC countries to ensure that regional integration objectives are correctly implemented and desired outputs achieved. NTBs are a persistent problem for Rwanda. Once removed, others emerge to take their place; the MINEAC Permanent Secretary aptly put it in an interview with the authors, NTBs are a "cancer that mutates". According to the MINEAC Imihigo for 2012-13, the ministry is responsible for advocating the "Elimination of 20 NTBs among partner states", with a target "quarterly progress report on elimination of NTBs available" monitored against the baseline "50 NTBs identified as of March 2012". Policy actions such as holding meetings with the EAC National Monitoring Committee on NTBs and producing progress reports on their elimination are poor indicators of success. The issue is unlikely to be resolved unless the highest political level becomes involved and private participants in all partner countries demonstrate the political will to eliminate these restrictions.

Thus, the government bases the monitoring of MINEAC's mandate primarily on co-ordination matters between ministries and EAC partner states (see Imihigo for 2012-13) (Table 6.10). Most policy actions are focused on capacity building, production of reports, and the M&E of implementation of the EAC integration agenda in Rwanda. The Office of the Prime Minister still recommends that MINEAC improve its "institutional leverage to co-ordinate ministries on the EAC agenda".[22] Institutions have not included the EAC agenda and plan in their implementation activities. For example, out of the 123 targeted actions in MINICOM's APR for 2011-12, only 3 are exclusively related to EAC regional integration.

Table 6.11 Ministry of the East African Community (MINEAC) Imihigo contract 2012-13

Outcome	Number of		Cost
	indicators	initiatives	RWF mil.
Increased level of public awareness on EAC integration process and its benefits	4	24	491
Effective implementation of Rwanda's EAC integration commitments ensured	6	21	197
Improved capacity building of MDAs, private sector and civil society on EAC integration ensured	1	3	30
Improved co-ordination of implementation of EAC commitments	2	7	19
Effective monitoring and evaluation of implementation of EAC integration agenda for Rwanda	3	7	107
Total	16	62	844

Source: GoR (2012), "Ministries' performance contracts 2012-13".

M&E Channel 4 : Bilateral Portfolio Reviews with Donors

Besides these systems, each donor has its own M&E system, most of which dovetail with government systems. Nearly all donors carry out regular Country Portfolio Performance Reviews in some form. Development partners are progressively orienting their logical framework at the project level in a way consistent with EDPRS outcomes.

For example, the African Development Bank country strategy monitoring matrix for 2008-11 links its interventions at the microeconomic level with macroeconomic EDPRS objectives. Out of these 13 EDPRS objectives, 10 are related to the AfT sector (Table 6.12). In this way it is possible to see how construction of the Rwanda-Burundi road or the Tanzania-Burundi-Rwanda railway, for example, would ensure adequate international and regional linkages (EDPRS objective) through an increase in transport options and a reduction of transport costs.[23]

Summary: improving M&E for aid for trade

Rwanda's trade performance, policy performance and management of aid for trade vindicate its status as an elite public sector management system among those in low-income countries. The government's efforts to work with development partners in putting in place systems that serve the interests of both the government and donors have paid substantial dividends in terms of good project management and rapid growth.

Still, some weaknesses merit attention. While several sectors have attained target indicators, others have had less illustrious performance, including the Private Sector Development Sector Working Group (PSD SWG). Second, the choice of indicators in the all-important EDPRS/CPAF, often made with larger purposes in mind (such as those relating to the Millennium Development Goals), does not always capture trade-related dimensions well. In particular, the PSD SWG indicators are poor predictors of future enhanced performance. Third, the link between the policies described and performance indicator is often tenuous. For example, implementing one-stop border posts or adopting a PPP law has a relatively marginal effect on the Business Environment Indicator. Fourth, some strategies lay out well-formulated plans, indicators and policies, but institutional follow-up is uneven, sometimes limited only to careful monitoring of the standard EDPRS/CPAF measures.

Finally, linking the monitoring framework to formal structured evaluation approaches, such as more systematic use of project completion reports in the DAD, could be useful. Similarly, designing some projects in a way that would allow more formal impact evaluations might contribute to strengthening evidence-based decision making. Cadot and Newfarmer (2011) propose using a "prism" for evaluation, with three approaches that complement each other: aggregate cross-country evaluations, sectoral and programme evaluations, and project evaluation. While the first two are common within the donor community, impact evaluations – based on randomised control trials that measure the intervention against a control group of beneficiaries – are rarely used for trade-related projects and aid for trade is only now receiving close attention (Cadot *et al.*, 2012). These have yet to be undertaken in Rwanda. Of course, they are expensive and only a few interventions are suitable for impact evaluation. We elaborate on some of these points in the concluding section.

Table 6.12 EDPRS indicators in the ADB M&E matrix for 2008-11

EDPRS objectives in AFT sectors	Selected ADB interventions
Ensure adequate international and regional transport links	Rwanda-Burundi road project; Tanzania-Burundi-Rwanda railway feasibility study
Transport costs reduced	Isaka-Kigali railway project
Electricity and other energy supply increased	Methane gas project – Lake Kivu
Protection of farmland from soil erosion	Dairy cattle development project (PADBEL)
Use of marshland for agriculture	Rwanda Burundi Bugesera Development Project
Intensify livestock production	
Create an enabling environment for private sector and export development	PRS budget support (PASSRP II)
Reduce the cost of doing business	
Deepen the financial sector and broaden access to financial services	n.a.
Develop skills for productive employment and to spur private sector innovation	Rwanda private sector capacity building project

Source: African Development Bank, 2008-11 Country Strategic Paper, 2008.

Mutual accountability: Monitoring and evaluating donor performance

Mutual accountability has been a hallmark of the relationship between the government and donors. In 2006 the government set out in a paper, "Rwanda Aid Policy", procedures and policies for accepting development assistance, clarifying how the Paris Principles were to be operationalised in Rwanda.[24] This chapter emphasised the need for more predictable external resources, government leadership in setting national and sectoral priorities, improved transparency, and reduced transaction costs. A Development Partner Co-ordination Group (DPCG) was set up to co-ordinate some 28 development partners, including 11 UN agencies.[25] The implementation of this policy led to the development in 2011 of the "Rwanda Aid Policy Manual of Procedures", which provided "detailed advice on the processes of negotiation and management of aid". Today this manual is the fundamental guidance for any foreign assistance intervention and sets out key elements of a Co-operation Framework Agreement.

The guidance includes an agreed division of labour among donors, and it arrogates solely to the Ministry of Finance the authority to accept new projects. The division of labour stipulates that each donor should be active in no more than three sectors to reduce the probability of "orphan" sectors. Donors were requested to have no more than two projects in any one sector, with the exception of large infrastructure projects. Still, it has been difficult to achieve a fully optimal balance. For example, agriculture has about eight donors, and energy has some six donors; at the other end of spectrum, manufacturing services and off-farm industry appear to have no donor support (GoR, 2011). No single bilateral project should have a budget of less the USD 1 million, with smaller funding to be channelled through pooled arrangements (though exceptions for especially innovative projects could be granted). The government has indicated it would like an increased percentage of a donor's portfolio to be channelled through multi-donor rather than bilateral projects.

Two relatively recent institutional innovations are likely to have important implications for donor accountability, harmonisation and alignment: Single Project Implementation Units (SPIUs) in each ministry and Sector Wide Action Programmes (SWAPs) in major sectors.

Single Project Implementation Units (SPIUs)

For externally financed projects executed by the government, the GoR recently introduced a Single Project Implement Unit (SPIU) in each ministry. These units are to handle project management issues such as procurement, M&E, legal agreements, IT, and financial administration for all donor projects implemented by the government. The objective is to realise economies of administration across projects, reduce duplication, apply more common standards of reporting and internal accountability to all projects, and provide better and more coherent oversight of sectoral interventions at the ministerial level.

It will be several years before this administrative structure is complete.[26] However, SPIUs mark an important change in donor-government relations. First, they make project management responsible to senior management of the ministry rather than to donors, which would otherwise pay the salaries of the project management unit. Second, they allow greater conformity of salary structures with the salaries of normal civil servants. Third, they minimise competition among donors and with the government for a few skilled project managers, which causes rapid turnover and salary escalation. Of course, this process will take time to implement fully, but it should contribute to reducing transaction costs and to better alignment with government objectives.

Sector Wide Action Programmes (SWAPs)

Recently, the government has encouraged the organisation of Sector Wide Approaches (SWAPs). These are "a process for government and development partners to work together to implement a single sector strategy reflected in a single expenditure programme for the sector."[27] The main purpose is to ensure harmonisation and alignment as well as adequate assessment of performance at the sectoral level. SWAPs have six characteristics that parallel the project cycle: strategic leadership from the government in establishing goals, policies, resource requirements, and monitoring mechanisms; a comprehensive sectoral planning framework that engages the resources of both domestic and external partners; a resource framework built on an annual work plan; a formal process of co-ordination to harmonise donor programmes and projects with reporting, budgeting and financial management; use of national systems in programme design, implication and financial management; partnership and dialogue, including participation of non-state actors. To date the government has established SWAP arrangements with donors in, among other aid for trade sectors, agriculture, natural resources, transport and energy.[28] While some (*e.g.* in agriculture) are well-established and working successfully, others, such as in natural resources, are more recent and struggle due to the cross-cutting nature of their domain.

The Development Partner Assessment Framework (DPAF)

The government has worked with donors to establish a framework for evaluating the performance of development partners, the Donor Performance Assessment Framework

(DPAF). This framework builds on the Paris Principles and recent elaborations in Busan and other international meetings. The government and development partners began working on the DPAF measures shortly after the first annual Development Partners Retreat in 2005. The 2006 Aid Policy and donor evaluations against the then-recent Paris Declaration had indicated that donors' performance was wanting, which led to intensive negotiation to achieve a mutually acceptable framework for donor performance. Subsequently, the government and donors have made steady progress in the DPAF its implementation. The retreat is now held annually, usually in late March. These institutional innovations may contribute to better performance along the lines of the Paris Principles.

The resulting DPAF is divided into five groups of indicators: financing national strategies to achieve the MDGs and the Vision 2020; use of national systems to strengthen ownership and accountability; facilitating long-term planning through predictable development financing; reduction of transaction costs through the adoption of harmonised approaches; and budget support in a manner that enhances ownership predictability and lowers transaction costs. Each of these areas is associated with three to seven indicators that encapsulate the objective. By and large, for the 14 donors with time series data available, the trend is towards improved performance (Table 6.13). That said, overall performance is still well below the aspirational targets. Of the 22 indicators across the five areas, donors had fully met the target in only two (indicator B7, "per cent of technical co-operation provided through co-ordinate programmes", and indicator D2, "per cent of total missions that are joint with the government").

Table 6.13 Development Partner Assessment Framework (DPAF)

Aggregate performance for 14 donors: average of selected indicators in five areas

	Average baseline	Target 2010/11	Actual 2010/11	Target 2011/12
Financing in support of MDGs	52	67	87.5	100
Use of national systems[a]	47	64	59	78
Predictable financing[b]	52	94	63	96
Reducing transaction costs[c]	34	65	58	53
Budget support	n.a.	92	66.5	92

[a]Excludes "average use of PIUs " because fewer is better.
[b]Baseline is 2008.
[c]Excludes lower is better variable, such as total missions.

Source: MINECOFIN, "Development Partner Assessment Framework 2010/11", November 2011.

Some donors have policies in place that allow them to do well on the DPAF. Table 6.14 shows the performance for 15 donors. Note that some indicators are not applicable to particular donors; for example, many donors do not provide budget support, which explains their lower applicable number of targets. Moreover, not all donors are reporting fully, so reporting is not yet perfect, while aid numbers may understate a donor's contribution. Overall, the top performers were the United Kingdom, the European Commission and the World Bank, measured by the share of attained targets – the "Green (%)" column. Of course, many of the targets are more aspirational than realistic, but the DPAF has provoked, by all accounts, a useful discussion on mutual accountability.

Table 6.14 Development Partner Assessment Framework (DPAF)

Donor	Amount RWF mil.	Target scored Green	Red	Total targets	Green (%)
United Kingdom	43 612	19	3	22	86.4
European Commission	55 275	18	4	22	81.8
World Bank	111 183	16	5	21	76.2
Netherlands	18,827	15	7	22	68.2
AfDB	41 767	14	7	21	66.7
Sweden	9 344	10	6	16	62.5
Germany	12 090	13	9	22	59.1
Belgium	17 633	11	10	21	52.4
Global Fund	17 981	6	7	13	46.2
United Nations	11 974	7	9	16	43.8
Canada	-	6	10	16	37.5
Luxembourg	1 519	5	10	15	33.3
Japan	623	4	10	14	28.6
Switzerland	638	4	11	15	26.7
United States	3 502	2	13	15	13.3

Source: MINECOFIN, "Development Partner Assessment Framework 2010/11," November 2011.

Conclusions and options for improving outcomes

This chapter began by asking three questions. The first was: Has trade strategy been "mainstreamed" into Rwanda's development strategy and planning processes? The chapter provides abundant evidence that, whether defined broadly as the OECD/WTO does or narrowly, the answer is definitely yes. This is evident in the several strategy documents of the Government of Rwanda, as well as implementation plans at various levels of government.

The second question was: Are indicators of AfT outcomes comprehensive in capturing results, and consistent with the desired impacts of improving income growth and reducing poverty? In fact, this chapter has relied on the abundant literature on the relation between trade, growth and poverty reduction to take as a given that trade growth in Rwanda's case would be associated with economic growth and rising incomes for the poor – and indeed this has been evident in Rwanda's history since the mid-1990s as poverty has fallen rapidly. The chapter has focused on the more interesting link between outcome indicators, achieving outcome targets, and policy implementation.

It is fairly clear that the Rwandan government has developed a robust set of indicators that span the wide measurement of aid for trade adopted by the OECD and WTO. Rwanda has received a sizeable inflow of aid for trade, mostly for infrastructure and for building capacity, particularly in agriculture. Accounts in the EDPRS self-assessments of the respective clusters indicate that development assistance has generally been used effectively and efficiently. While the M&E system is complex and has gaps, it has produced effective implementation. The system is predicated upon a set of outcome and output indicators to be attained through enumerated (and sometimes quantified) policies and actions that begin at the highest level and cascade down through the various levels of government. Each level of government has its own outcomes/outputs and associated implementation plan. Table 6.15 presents in summary form a numeric count of some of the aid for trade-related indicators and policies discussed in this chapter. Altogether the table shows 90 indicators and 546 policies/actions designed to achieve them. We should hasten to add that the table does not show the Annual Performance Reports and Imihigo performance contracts of the AfT sectors outside MINICOM and MINEAC. Nor does it show the indicators and actions of the various sectoral strategies pertaining to trade.

Table 6.15 Aid for trade: Indicators and policies at selected institutional levels

		Total		Trade-related	
		Indicators	Policies	Indicators	Polices/ actions
Plans					
	1. EDPRS 2008-12	73	..	25	29
	1.1. CPAF Oct. 2011*	45	80	12	22
	1.1.1. PSD SWG			2	4
	1.1.2. Other SWG (AFT-related)			10	18
	2. Annual Performance				
	MINICOM APR 2011/12			4	123
	MINICOM Imihigo contract 2012/13			3	59
	MINEAC APR 2011/12			9	52
	MINEAC Imihigo contract 2012/13			5	62
	Leadership Retreat	6	70	4	52
Strategies					
	3. National Export Strategy			10	56
	4. Trade Strategy 2009-12			30	113
	Total (1+2+3+4)			90	546

Source: Tables 6.3, 6.6, 6.11 and text.

Note: Does not include indicators and policies from sectoral strategies in infrastructure and productive sectors or APRs from relevant ministries. In some cases, "policies" include implementation of specific programmes or other actions.
*CPAF indicators are subsumed in EDPRS 2008-12.

The third question was: Are monitoring and evaluation systems providing adequate feedback to policy makers and donors for them to make implementation changes, if necessary? Here, too, the answer has to be in the affirmative. The fact that the government has a variety of mechanisms with which to "learn" from past shortcomings, as well as accomplishments, is clear in the system of annual reviews embedded into the planning, budgeting and performance review system for the government, as well as the system for integrating development assistance into a clearly structured results-based framework with feedback loops.

In answering these three questions, the analysis of the chapter leads us to concur with Bruno Versailles (2012c), who concluded that "…Rwanda now boasts what is very close to 'best practice' in mutual accountability frameworks". No doubt there is much that other countries can learn from Rwanda. Before highlighting some of those lessons, there are a few ways in which the management of aid for trade in Rwanda might be improved, if at the margins.

Trade diagnosis and policy objectives

Appearing throughout the various strategy documents are statements recognising Rwanda's fundamental trade problems together with corresponding objectives, notably the need to increase exports of both goods and services at a sustainably high pace, the need to increase value-added and quality, and the need to diversify exports, both in products and markets. If there is any area of policy that is mentioned but left unintegrated into policy making, it is a thorough discussion of incentives and the anti-export bias implicit in Rwanda's policy framework. An anti-export bias occurs through two channels: the first is the appreciation of the Rwandan franc that has occurred through large donor inflows in the last decade; the value may fall as donor inflows are wound down, hopefully only as a response to rising incomes and purposeful policy. Inflows are a main driver of the trade deficit, often stated as a policy objective; the other source of anti-export bias is the common external tariff that inadvertently taxes Rwandan inputs into its exports and makes Rwanda less competitive. Frazer (2012) estimates that a 5% reduction in the input tariff would expand exports by 5-10%. The National Export Strategy (2011) recognises these two sources of anti-export incentives,[29] but these issues do not appear in other strategy documents and seem to be left out of nearly all policy discussions. Moreover, they are virtually absent in discussions with donors about trade.[30] Finally, this underscores the wisdom of using variables associated with export performance (see below) rather than the trade deficit as the monitorable indicator and policy objective.

The EAC is a major potential forum in which to discuss ways to lower costs by influencing policies of neighbouring countries, particularly non-tariff barriers (NTBs) and other policy barriers than induce inefficiencies. These efforts should involve indicators that harness the whole economic cabinet (including the President) to the task of eliminating NTBs, eliminating road blocks, improving efficiency on both sides of a border, and improving the efficiency of port operations in Mombassa and Dar es Salaam. Infrastructure is a central concern in expanding productive capabilities, and Rwanda has managed its infrastructure well. However, too frequently both governments and donors have overlooked policies that impede efficient use of infrastructure. In the EAC, transit and cargo weight rules, particularly in Kenya, impose costs on Rwandan trade.[31] These tasks, which should take centre stage in external trade policy representations, do not receive much air time as objectives with supporting policies behind them in the action matrices of ministries, though donors do have aid for trade programmes to deal with them.

Fourth, SMEs, important as they are for employment, cannot be the sole focus of trade expansion. Many studies have emphasized that it is large firms that drive exports, and so any strategy has to give at least equal attention to their needs for support. But the nature of that support might differ markedly from the support given to SMEs. It could take the form of working closely with large private companies to determine the principal policy-related obstacles that impede their export growth, and their informational requirements to sell to foreign markets.

Outcome objectives, indicators and policies

The most consistently monitored set of indicators stem from the Economic Development and Poverty Reduction Strategy (EDPRS) and the Common Assessment Performance Framework (CPAF). These indicators are traced from the economic cabinet through the Sector Working Groups (SWGs) and/or Districts down to the implementing agency, and then reported back up, eventually to economic cabinet. They have the virtue of being simple – usually two to three per sector – and quantitative, as well as relatively objective. They provide the basis for a robust discussion about where progress is being made.

From an aid for trade perspective, the 12 AfT-related indicators only partially serve the intended purpose of monitoring performance of trade-related activities. The sectoral indicators are fairly robust as proxies for the trade-related sectors' overall performance. For example, installed generation capacity is a useful proxy for progress in reducing Rwanda's extraordinarily high costs of generation, low access, and quality issues.

However, the Private Sector Development (PSD) SWG and CPAF indicators for trade performance, monitored closely by donors for budget support purposes, are subsumed in two indicators intended to capture investment climate: the Index of Business Environment (derived from the World Bank's Doing Business report) and improvement in the Investor Perception Index (a survey carried out by MINICOM). There are two problems with these indicators from a narrow trade perspective. First, it is not clear that improvements in these indexes have any correlation with improved trade performance, certainly not in a medium-term time frame. Second, the policies intended to correspond to these indicators have little direct bearing on their performance. For example, it is not clear how implementing one-stop border programmes will improve in any substantial way the Business Environment Index. Nor is it clear how enacting a PPP law will affect private investment, certainly as compared to other policies such as macroeconomic policies.

The EDPRS indicators, also monitored by the PSD SWG, are more directly germane to trade and investment performance. These are threefold: investment as a share of GDP, growth in export revenues, and growth in revenues from tourism. At issue is that many other factors other than policy effort determine their performance – weather, global business conditions and capital inflows are all arguably more important. The investment/GDP ratio is particularly inadequate since it is dominated by public investment, which in turn responds at least in part to ODA; if ODA contracts for whatever reason, total investment is likely to fall, and performance by this criterion will fall short. Many within the PSD SWG have suggested that focusing on the private investment component within total investment might be a better proxy.

These three indicators could be useful benchmarks, but only if policy discussions are thorough and delve into technical detail in each area. Monitoring of policies necessary to effect change in the indicator/objective should arguably occur in Sector Working Groups, but often reportedly does not. According to participants, the Sector Working Groups are often fully absorbed in measuring and discussing the indicators and spend too little time discussing the policies that might move the indicators in a positive direction. In some cases, this is because participants at the meetings, donors and government representatives alike, may lack the detailed sectoral knowledge and technical expertise to judge the adequacy of policy implementation or have a detailed economic knowledge of the origin of the benchmark. Few donors have trade economists or detailed sectoral expertise in-country, so the meetings depend on the government to provide that knowledge. As a result, policy discussion that could take place and provide a robust context for a given indicator often does not.

One way to promote that discussion might be to commission an annual retrospective of trade performance and policy that would present a six- to eight-page review through the lens of the "problem dimensions" along the lines of those sketched out in the opening section, namely the need to increase value-added in commodities, to diversify into new products and markets, to expand services exports, and to increase FDI. These are all areas where MINICOM and the Rwanda Development Board (RDB) are working intensively, and measuring progress in performance outcomes and policy implementation might help. Such a review could readily focus on underlying trends by controlling for cyclical movements that typically afflict one or another indicator, as well as discounting associated effects outside the government's control.

Ministry-level indicators and policies

The EDPRS and CPAF indicators are not the only indicators of trade performance and trade policy initiatives. The ministry-level Annual Performance Reports (APRs) are much more specific and to the point. They offer relatively clear objectives (*e.g.* to expand trade by 15% annually) together with textured and specific policy measures for implementation. While it is not always clear that the sum total of promised policies will actually move the indicators, they appear to be well-founded on the surface. The Annual Performance Reports, together with the EDPRS self-evaluations, are extremely informative and presumably useful to senior-level policy makers, but they appear to be only marginally connected to donor-government discussions on the comprehensive CPAF with the Joint Budget Support Group, the donor-inclusive PSD SWG process, and the minister's performance contract with the President. The latter two processes seem to function relatively independently, and so policies and programmes monitored by the President may or may not coincide with the CPAF/EDPRS indicators-based discussion with the donors.

One method of evaluation that has been largely overlooked by the trade community everywhere is impact evaluation. Though difficult and expensive to undertake, a more systematic review of AFT policy interventions might identify a few that would be amenable to their narrow and specialised methodology. The joint interim evaluation (by the Institute for Policy Analysis and Research and the International Growth Centre) for the Ministry of Agriculture of the government's one cow programme, though not strictly an impact evaluation, indicates a potential richness of result that will inform policy (Argent, *et al*., forthcoming).

Monitoring and evaluating NES programmes outside the Trade Ministry

The National Export Strategy is arguably the most ambitious and comprehensive statement of trade strategy and policies by the Rwandan government. It has a carefully elaborated set of ten cross-cutting objectives and objectives for specific sectors. The implementation matrix is coherent and sophisticated, with budget requirements and agency responsibilities.

However, one gap is that many of the policy responses to Rwanda's main trade problems reside outside the immediate purview of the MINICOM. These problems include not only the management of incentives through the exchange rate and the common external tariff, but also expanding electric power (cost, access, and quality of service), reducing transport costs to coastal ports and reducing financial costs to traders, as well as expanding internal supply chains through increased agricultural production and efficient marketing of the tourism industry and making this industry more attractive. Each sector of the economy has a ministry charged with implementing policy and monitoring its own performance.

For these reasons, the role of the newly formed Industrial Development and Export Council (IDEC), chaired by the Minister of Trade and Industry, assumes considerable importance. It potentially could provide a forum for the systematic co-ordination and comprehensive policy review of trade-related implementation measures that is now lacking. For it to succeed, however, at least three things will be needed. First, a subset of policy measures will already be well-integrated into the M&E system of the host ministry, undertaken not for trade reasons but for overall sectoral reasons; the Industrial Development and Export Council (IDEC) only need maintain a watching brief for these, so that it could weigh in if one or another sectoral policy is critically off-track in a way that adversely affects trade performance. Second, another subset of policy measures might not have high priority from the vantage of the host ministry but be critical to trade development, so a second role of IDEC is to ensure that trade-related policies get into that ministry's Annual Action Plan. A third set of policies might well fall between ministries or require inter-ministerial collaboration, and IDEC should facilitate these. Finally, IDEC's agenda could be to have a report from each implementing agency on its implementation – almost like a peer review system – so discussions take place on the 100 or so specific policy indicators, and have a timely digest of progress, perhaps with the green-yellow-red system common to the other performance assessments. IDEC may well want to invite donors to add their support where it has not already been taken up by the relevant Sector Working Group.

Data

The Development Assistance Database is an effective tool for co-ordinating aid for trade, along with assistance for other purposes. However, donors and the government have to invest in it by reporting to MINECOFIN on a regular basis. Project completion reports could also be included in the database to link the monitoring of AFT flows with project evaluation. Moreover, documentation availability online, while generally quite robust, does have a few, easily remediable gaps: there is a lack of information on ministries' Annual Action Plans, Annual Performance Reports and Imihigo contracts for many years and institutions, which makes it difficult to analyse coherence between institutions and within time.

Rwanda's lessons for the international aid for trade community

Rwanda has put in place a comprehensive and well-functioning system of results-based management that would rank among the best in the low-income world. This review points to five lessons for the international aid of trade community. First, to the extent that governments benefiting from aid for trade are making considerable effort to ensure that funds are used productively, donors can – and are – usefully building these systems, as the Rwandan case demonstrates. Many countries have put in place some mechanisms to monitor and evaluate aid for trade. Thus, AfT donors would do well to build on these systems rather than trying to invent new ones from Geneva, Paris, London, Brussels or Washington. Second, Rwanda's system in many respects could be adapted to countries where the economic cabinet is capable of working cohesively to common objectives. However, this requires internal consensus on policy objectives and leadership that projects through multiple levels of public administration. Third, a major reason the Rwandan system works well is that it adapts annually, learns from prior years' inadequacies and successes, and modifies the next year's programmes accordingly. Fourth, the system is designed to promote accountability through various levels of government, whether through the external reviews of the Office of the Prime Minister, the Sector Working Groups, the President himself, or the national dialogue with the citizenry. A critical element of this accountability is the continuing forceful effort to root out the corruption that plagues so many other African countries. Finally, there is the co-operation of donors in working with the government – to abide by the division of labour, provide information to the relevant ministers, participate in the Sector Working Groups, and contribute to a genuine partnership. Of particular importance is their willingness to work within the framework of the Paris Principles.

Notes

1. MINECOFIN, 2012.
2. See Newfarmer and Sztajerowsky (2012) for a literature review of some 15 recent econometric studies dealing with tariff liberalisation and economic growth.
3. See World Trade Organization (2006).
4. See MINECOFIN (2011c).
5. The other pillars were: reconstruction of the nation and its social capital anchored on good governance, underpinned by a capable state; and comprehensive human resources development, encompassing education, health, and ICT skills aimed at public sector, private sector and civil society (GoR, 1999).
6. Earlier versions of the EDPRS had 31 targets, of which 11 pertained to the aid for trade sectors).
7. These include detailed strategy papers in three broad areas. For *Productive Sectors* these are: Coffee (2008), Tea (2008), Horticulture (2006), Extractive Industries (2006), Handicrafts (2009), Hides and Skins (2009), and Tourism Policy and Master Plan (2009); for *Trade and Industrial Policies*: Rwanda Trade Policy (2009), Industrial Policy (2011), SME Strategy (2010), Special Economic Zone Policy (2010), and Science, Technology and Innovation Policy (2006); for *Infrastructure Strategies*: Transport Master Plan, National Energy Policy and Strategy 2008-2012 (2008).
8. The EIF is a WTO-sponsored trust fund for least developed countries to mainstream trade. For a detailed review of the evolving institutional architecture within the Rwandan government to deal with trade, see Sodipo (2011).
9. See MINICOM (2011b).
10. Among the aid for trade sectors, Sector Working Groups were set up for trade and industry (Ministry of Industry and Commerce and the Dutch Embassy as co-chairs), energy (Ministry of Infrastructure and the World Bank), transport (Ministry of Infrastructure and the EC), ICT (Ministry of Infrastructure and UNDP), Agriculture (Ministry of Agriculture and the World Bank), and economic growth and financial sector development (Ministry of Finance and the World Bank).
11. An SIP "should reflect the key objectives as formulated in your sector strategic plan and provide a synthesis of your current policy situation. The SIP describes the key issues/constraints for each major policy objective as well as actions needed to resolve them" (MINECOFIN, 2008).
12. Performance contracts between institutions and the President, discussed in greater detail below.
13. Output implementation is scored from 0 to 10. Performance is shown as green if the score is above 8, yellow if the score is between 5 and 8, and red if below 5. See GoR, Office of the Prime Minister (2011).

14. This index is calculated based on the World Bank's Doing Business indicators. The method takes six Doing Business sub-indices (starting a business, registering property, paying taxes, trading across borders, enforcing contracts, and dealing with construction permits) and normalises Rwanda's performance for each sub-index relative to the 90th percentile. For example, for starting a business the minimum number of procedures is 1; the 90th percentile is 13. It took Rwanda eight procedures, so Rwanda's score is 1-(8-1)/13-1)=.42 (see MINICOM (2009), page 31).

15. The government invited the International Finance Corporation (IFC) and the International Growth Centre (IGC), among others, to provide detailed comment.

16. See MINICOM (2009).

17. See GoR, Office of the Prime Minister (2011).

18. See GoR, Office of the Prime Minister (2011).

19. See MINEAC (2012b).

20. Regional integration did not include specific indicators in the EDPRS 2008-12 matrix.

21. See GoR, Office of the Prime Minister (2011).

22. See GoR, Office of the Prime Minister (2011).

23. See AfDB (2008).

24. This section is based on the government's presentation at the eighth GoR and Development Partner Retreat (DPR) on 30 March 2012, "Rwanda Aid Policy Manual of Procedures" (GoR, 2012c).

25. This was as of March 2011. See Nkusi and Naab (2011).

26. Beginning in 2008, the government sought to transfer all project financial administration to a single unit. Initial experiences were somewhat chaotic because of lack of qualified personnel, incoherent procedures internally, and widely varying reporting requirements for each donor, and were eventually abandoned. However, in 2010 the government revived the practice and, learning from prior experience, set up a technical team in the Ministry of Finance to manage externally funded projects. Following the positive example set in the Health Ministry that had begun some four years earlier, the government is rolling out the procedure for each ministry gradually. The Ministry of Industry and Commerce established its SPIU in 2011 (Versailles, 2012b).

27. MINECOFIN (2012a).

28. Others include justice, health, and education.

29. About donor inflows, trade balance and the risk of overvaluation, the NES states: "Rwanda's significantly reduced but continued dependency on donor aid tends to appreciate the value of the Rwandan Franc…." It goes on to recognise the difficulty of sterilisation because of the small size of the financial sector, but says "Additionally because spending abroad reduces the upward pressure on the Rwanda Franc, Rwanda should focus on spending abroad *and* increasing the export growth rate while donor inflows are high, and worry less about the trade balance" (MINICOM 2011c: 23).

30. These issues have been mentioned in passing in the DTIS 2005, in a paper of the International Monetary Fund (IMF) presented in the autumn of 2010, and the work of the International Growth Centre (IGC), notably De Melo and Collinson (2011) and

Frazer (2012). Discussions with the IMF routinely occur on exchange rate policy, but are usually centred on inflation objectives rather than objectives for the real sector.

31. See Arvis *et al.* (2010).

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Chapter 7

Managing aid for trade and development results in Colombia

The case study of Colombia also presents good practices in designing and introducing results frameworks for aid for trade projects and programmes. The report assesses indicators used in the evaluation of aid for trade projects in Colombia, based on its country-specific needs and challenges for its future economic development. Specifically, it identifies targets and performance indicators used, assess the adequacy of the existing framework and the country's ability to use existing measures of performance, and discuss options to introduce or improve these measurement frameworks to strengthen transparency and accountability. The study suggests that the alignment of national objectives with local needs and interests is essential for the success of the project. Close monitoring and evaluating of interventions based on quantitative and qualitative targets and performance indicators during the implementation phase is crucial to adapt programmes to a changing trade and development environment. The study suggests that to promote learning quasi-experimental or experimental programme setups facilitates evidence-based analysis and decision making and international comparability which would further strengthen the relevance of the results framework.

Introduction

The specific objective of the report is to assess good practices in designing and introducing results frameworks for AfT projects and programmes, based on country-defined quantifiable targets and a menu of a limited number of indicators to measure performance as outcomes and impacts. Specifically, the report identifies targets and performance indicators used in Colombia, assesses the adequacy of the existing framework and the country's ability to use existing measures of performance, and discusses options to introduce or improve these measurement frameworks to strengthen transparency and accountability.

The report is organised as follows: Section 2 provides a brief overview of Colombia's economy, with a special focus on its trade and investment regime. Section 3 highlights the main trade-related binding constraints identified with respect to different relevant national and international (public and private) actors and organisations. Section 4 discussed Colombia's development priorities and goals are discussed. Particular attention is given to the 2010-14 National Development Plan and its trade-related priorities. Section 5 assesses international co-operation in Colombia in terms of the country's alignment with its donor community. Section 6 describes the aid-for-trade strategy in Colombia. Section 7 discusses country-owned results and accountability frameworks. Measuring of results is presented, and the use of indicators is outlined. Section 8 presents a series of recommendations.

Colombia's economy

Colombia initiated efforts to internationalise its economy in the 1990s, following initial although weaker efforts in this direction in the late 1980s. Structural changes in the first half of the 1990s included a new constitution, trade reform, exchange reform, foreign investment reform, financial reform and labour reform. Since then, the course towards greater market opening has continued at different speeds, as challenges in regard to security greatly affected Colombia's competitiveness and attractiveness as a foreign investment recipient in the late 1990s and the early part of this century.

When President Juan Manuel Santos took office in August 2010, Colombia was changing from what some had considered an almost failed state a decade earlier, into a newly designated middle income country with a vibrant economy and a prosperous future. After years in which security, anti-narcotics and anti-terrorism monopolised Colombia's role in the international arena, the internal and foreign agenda diversified into areas such as economic growth, the strengthening of competition and business formalisation - science and technology, education and innovation, the internationalisation of the economy and the transformation of domestic production, and climate change mitigation, among others. The security and investment climate improved remarkably, and efforts to further open the economy continued. As a result, Colombia's GDP per capita increased from USD 3 417 in 2005 to USD 7 236 in 2011 (WTO, 2012) and the country was granted investment grade credit rating.

Colombia has achieved greater integration into the world economy over the last decade, in part thanks to several new trade agreements, a unilateral reduction of average tariffs, and enhanced transparency and stability in the rules on trade and investment. The government has established a single window for all trade requirements, complemented by a risk analysis system, which has significantly reduced the number of inspections.

Nevertheless, some trade barriers such as import registrations and licensing requirements persist (WTO, 2012).

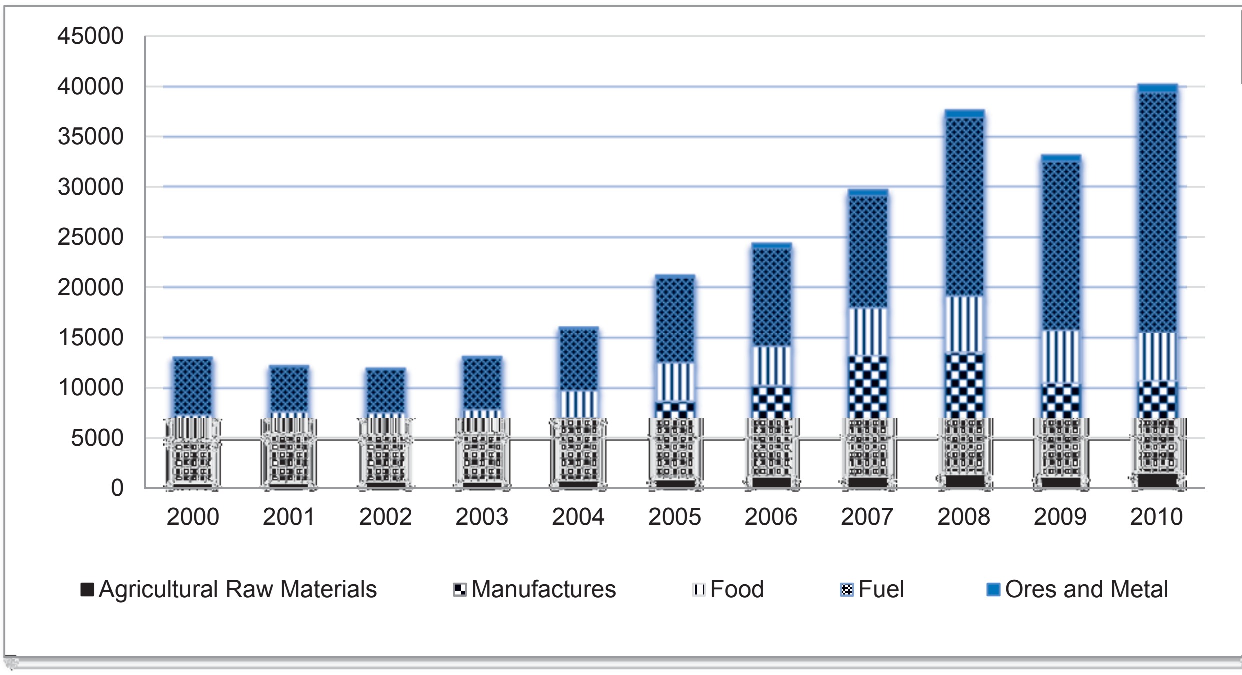
In particular, Colombia has focused on promotion of the export sector. Full and partial exemptions from taxes and other charges, such as tariffs and VAT, were granted to exporters. Moreover, Colombia is an active negotiator of free trade agreements. It currently has FTAs in force with the Andean Community, Canada, Chile, Mercosur, Mexico, the Northern Triangle of Central America (comprising El Salvador, Honduras and Nicaragua), Switzerland and Liechtenstein in the framework of the European Free Trade Association (EFTA), the United States and Venezuela, and has signed agreements with Norway and Iceland (as part of EFTA) and the European Union, pending approval by the Colombian Congress. Additionally, Colombia recently concluded legal scrubbing of an FTA with the Republic of Korea and is currently negotiating with - Costa Rica, Israel, Japan, Panama, Turkey and the Pacific Alliance (comprising Chile, Colombia, Mexico and Peru) (MCIT, 2012). Colombia´s pro-trade credentials are solid.

Colombia's main trading partner remains the United States in terms of both imports and exports. During 2011, the top five import origins were the US (24.9%), China (15%), Mexico (11.1%), Brazil (5%) and Germany (4.1%), while the top five export destinations were the US (38.1%), the Netherlands (4.4%), Chile (3.9%), China (3.5%) and Panama (3.4%) (DANE, 2012).

In 2011, Colombia's main imports were in manufactures, especially machinery and mechanical appliances as well as cars, electrical machinery and electronics. Its main exports in 2011 were oil, coal, emeralds, gold and coffee, on which the government imposes surcharges to spur the development of these sectors (UN Comtrade Database, 2012). Figures 7.1 and 7.2 show that exports of mining, fuel and quarrying products, in particular, as well as exports and imports of manufactured products have increased in recent years.

Figure 7.1 Breakdown of merchandise exports

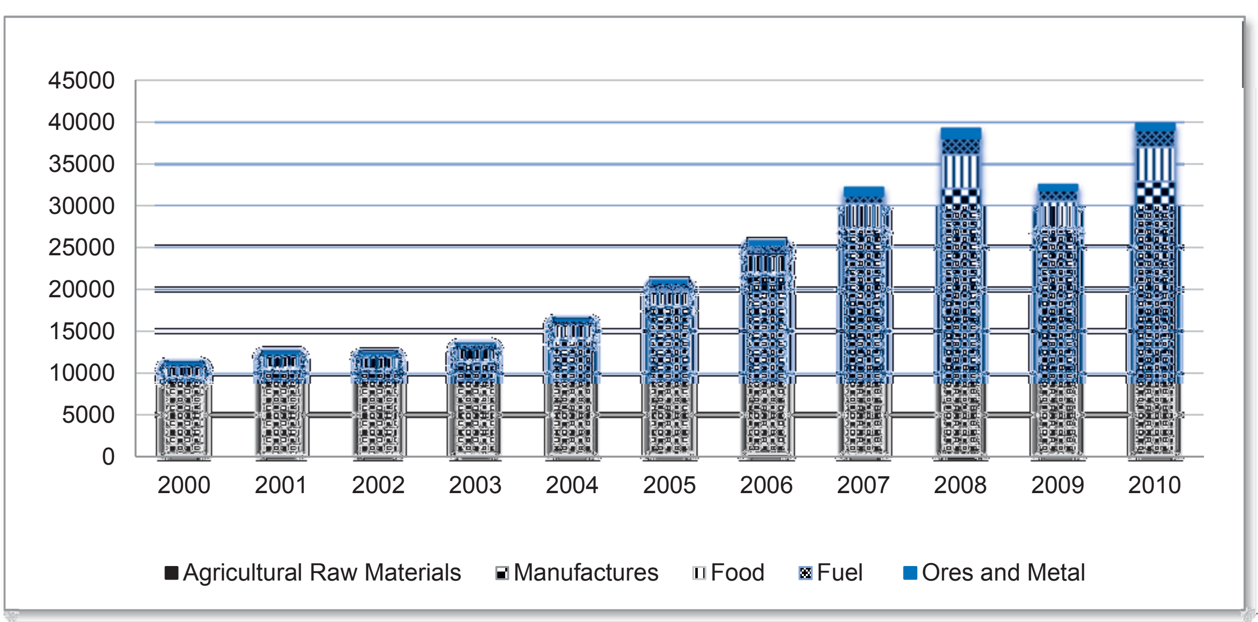
(current USD million)



Source: World Development Indicators (World Bank), 2012.

Figure 7.2 Breakdown of merchandise imports

(current USD million)

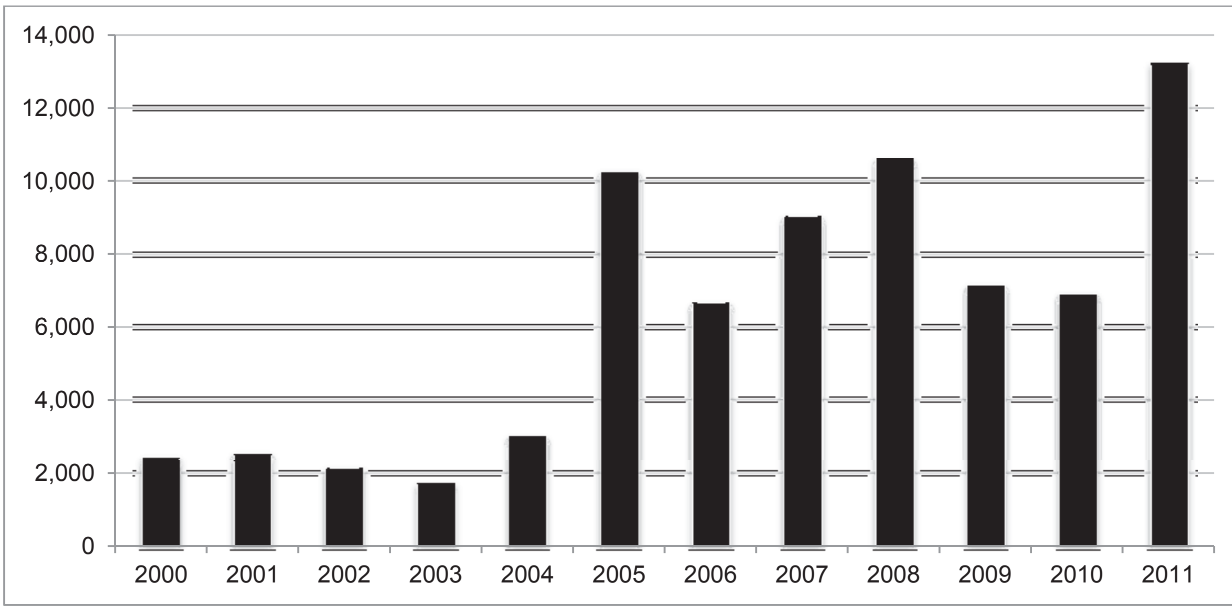


Source: World Development Indicators (World Bank), 2012.

Foreign direct investment (FDI) inflows were about USD 9.328 billion in the first half of 2012, which translates into growth of 26.2% compared to the first half of 2011 (Figure 7.3). Though around 80% of the total amount went to the oil and mining sector, FDI for this and the remaining sectors grew by almost the same percentage: 18.6% and 17.9%, respectively (WTO, 2012).

Figure 7.3 Foreign direct investment net inflows

(BoP, in current USD million)



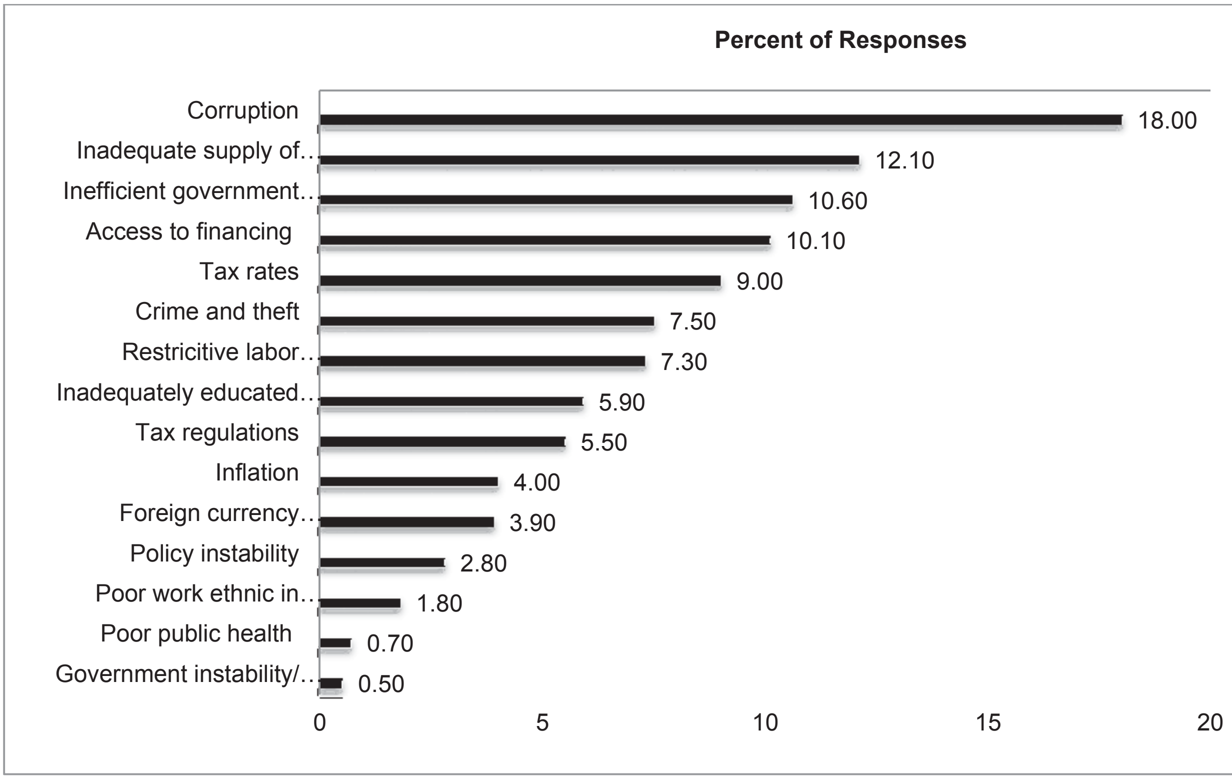
Source: World Development Indicators (World Bank) (2012).

The Minister of Trade, Industry, and Tourism, Sergio Diaz-Granados, partially attributes the sharp increase of FDI in the first half of 2012 to Colombia's process of accession to the OECD and the recent accession to the OECD Declaration on International Investment and Multinational Enterprises, as well as to improvements in the country's World Bank Doing Business ranking[1], and continued efforts to maintain the stability of macroeconomic conditions. In 2011, Moody's Investors Service raised Colombia's credit rating to investment grade (MCIT, 2012). It is particularly important to note that Colombia's sound regulations to protect investors not only contributed to its entry into the OECD's Investment Group, but also made it the Latin American country that best protects investors and the fifth best country for protecting investors worldwide. Colombia signed Investment Agreements with Spain in 2007, Switzerland in 2009, Peru in 2010, Japan in 2011, and China, India and the United Kingdom in 2012. It recently concluded agreements with Turkey and Kuwait, and it is currently negotiating an agreement with Singapore (MCIT, 2012).

Trade-related binding constraints

Colombia has a generally open trade regime, with steadily falling tariff rates in recent years. However, non-tariff barriers, policy reforms and investments are pending in a number of significant areas and sectors. Moreover, the country still faces important challenges, with a Gini coefficient of 55.9 in 2010 ranking it as one of the top three most unequal countries in recent years (World Bank Gini Index, 2012) and an unemployment rate of 9.8% in 2011 (WTO, 2012). The World Economic Forum (2011) identified the most problematic factors for doing business in Colombia in its *Global Competitiveness Report 2011-2012*, as shown in Figure 7.4.

Figure 7.4 Most problematic factors for doing business in Colombia



Source: World Economic Forum, Global Competitiveness Report 2011-2012 (2011).

Colombia scored particularly badly in terms of corruption, supply of infrastructure, government bureaucracy, and access to financing. Based on these problematic factors, it ranked number 68 out of 138 countries worldwide and behind its Latin American neighbours such as Chile (rank: 31); Panama (49); Brazil (53); Mexico (58); Costa Rica (61); Uruguay (63) and Peru (67). Colombia is tackling these main obstacles as part of its National Development Plan, outlined in Section 4.

Several assessments of Colombia's main trade-related binding constraints have been undertaken in recent years. The following are particularly worth mentioning: the study by Haellert and Muro (2009); the 2011-12 National Competitiveness Report;[2] results of the national consultation process in the context of elaboration of the National Council on Economic and Social Policy (CONPES) policy 2004;[3] the AfT strategy of the Inter-American Development Bank (IADB) for regional sector development in Colombia; the *Global Competitiveness Report* from the World Economic Forum; and private sector assessment reports undertaken by the National Business Association of Colombia (ANDI) and the Cali Chamber of Commerce. In addition, the launching of FTA negotiations between Colombia and the United States in 2004 was accompanied by a series of efforts to identify trade-related binding constraints in preparation for this FTA with Colombia's most important trading and investment partner.

Most of the assessments mentioned above coincide with the following problems as main challenges impacting competitiveness and impeding or limiting economic growth and further trade liberalisation.

Export growth and diversification

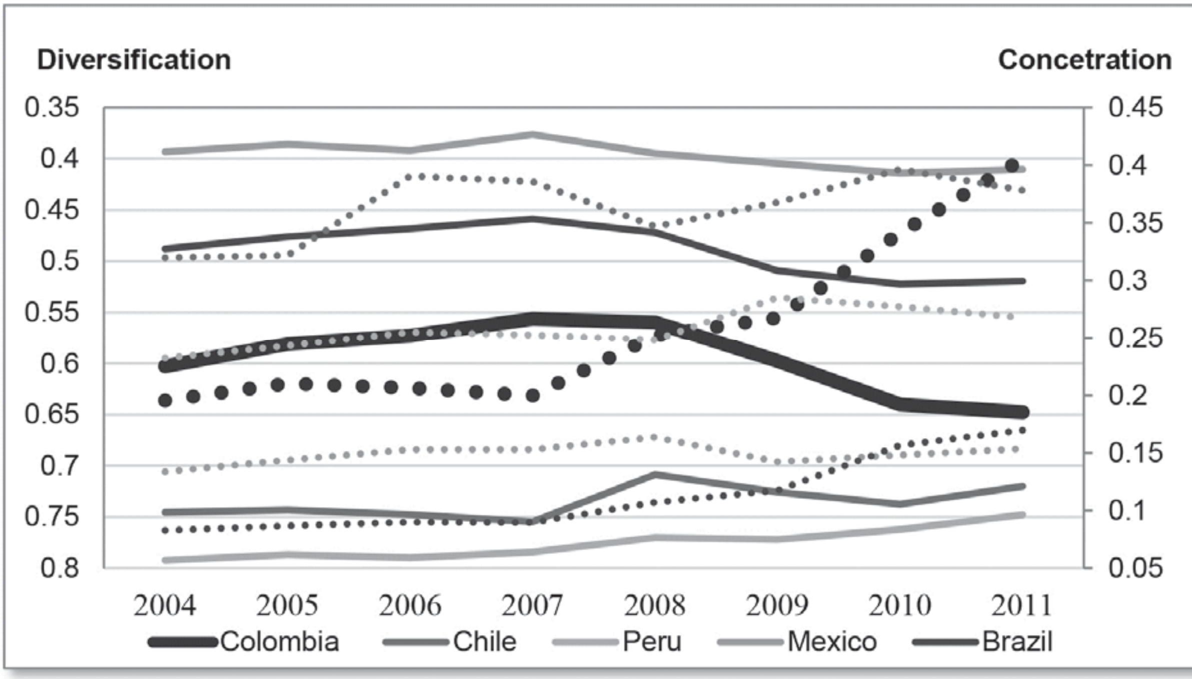
The 2011-12 Competitiveness Report highlights that for Colombia to meet the goal of its Vision 2032[4] *to become one of the three most competitive economies in Latin America and reach middle to high per capita income,*[5] the country needs to expand its exports of innovation-intensive goods and services. According to this report, Colombia's competitiveness policy is the basis for reaching the goals of productive transformation. The report highlights the importance of promoting public-private partnerships at the national and local levels. Furthermore, it points out that the mining and energy boom works against the objective of export diversification.

> In 2032 Colombia will be one of the three most competitive countries in Latin America and will have an elevated level of income per capita equivalent to that in high middle income countries. This will be done through an economy that exports high value-added and innovative goods and services, with a business environment that promotes local and foreign investment, regional convergence, and improved opportunities for formal employment, better quality of life and substantially reduced levels of poverty.
>
> \- Colombia's Vision for 2032

Colombia maintained a relatively constant and low export share of GDP with an average of around 17% between 2004 and 2012, compared to an average 40% export share in Chile, 28% in Mexico, 26% in Peru and 13% in Brazil. Colombia´s annual rate of growth in exports of goods and services followed the region-wide trend of decreasing export growth rates since 2004, but was less volatile, showing the lowest standard deviation of export growth in the period 2004-10 compared to Chile, Peru, Mexico and Brazil, despite the financial crisis in 2009 (World Development Indicators, 2012).

Colombia's export diversification, depicted by the primary axes and straight lines in Figure 7.5, has decreased since 2008. It is higher than that of Chile and Peru and lower than that of Mexico and Brazil. The secondary axis and dashed lines in the figure depict the Herfindahl-Hirschman index, which indicates the concentration of export products. It has increased slightly for Colombia since 2008 and is relatively high compared to that of Chile, Peru, Mexico and Brazil. The relatively high scores for the diversification and concentration index reflect that Colombia's exports are not sufficiently diversified and exports are highly concentrated on a few products (UNCTAD STAT, 2012).

Figure 7.5 Diversification and concentration of exports (Herfindahl-Hirschman)



Source: UNCTAD STAT, 2012.

Trade-related infrastructure, transportation and logistics

The National Competitiveness Report also identifies the infrastructure, transportation and logistics sectors as Colombia's most significant bottlenecks. Significant investments and institutional upgrading are required for road and highway infrastructure, mass transit systems, ports, airports and rail infrastructure, as well as water navigation.

The need to significantly enhance trade-related infrastructure is shared by the private sector. In their 2011 Competitive Agenda, the National Business Association of Colombia (ANDI) recognised that in addition to a stable macroeconomic policy, Colombia needed to improve infrastructure, as logistics accounts for 22% of costs in a commercial business. The report compared Chile's 2 400 km of double lane highways in 2009 with Colombia's 800 km and called for significant investment in roads and highways, railways, airports, water transportation and ports, as well as the design of multi-modal transportation systems (ANDI 2001).

Education and the labour market

The National Competitiveness Report points out the need to improve the quality of education to provide the much needed human capital and labour skills required for the future development of Colombia. Recommendations in this area include early childhood integral assistance, better coverage, improved quality of basic and secondary and higher education, and improved relevance to attract the qualifications the country needs.

The report highlights the need for improvements in other areas, including the creation of a more formal labour market through making it more flexible, improving the cost-benefit ratio in favour of formal employment, deepening the country's industrial policy, and promoting more efficient production in small and medium-sized enterprise (SMEs).

Improvements are also needed in science, technology and innovation, where investment is at a low 0.16% of GDP.

Regional development

Another area where significant improvements are needed is regional development. The National Competitiveness Report underlines the importance of all the policy areas mentioned above at the regional and not just the national level.

During 2011, President Santos created the High Presidential Council for Public and Private Management, confirmed the National Competitiveness System, and gave great importance to the Regional Competitiveness Commissions in the process of drawing up the National Development Plan. The Cali Chamber of Commerce highlighted the great divergence in regional competitiveness and concluded that one of Colombia's main challenges is to give the right balance to regional development. It proposed two lines of action: institutional strengthening and decentralisation, and commitment by the business community (Cali Chamber of Commerce, 2011).

The Inter-American Development Bank´s AfT Fund is aligned with its AfT strategy for Colombia in regard to these lines of action. It targets regional sector development through trade reforms and the design of new policies at the national and regional levels. In general, the IADB AfT Fund supports trade-related projects to increase international market integration, market access and global competitiveness in Colombia. Currently, two national operations with a value of USD 1 million and eight regional projects with a total value of USD 3.4 million have been approved. Moreover, a bank loan (CO-L1094) for USD 12 million is under way to increase investments and improve export promotion in Colombia.

In particular, two current regional projects (CO-T1214 and CO-T1215) have the objective of strengthening Colombia's trade policy, supporting the realisation of free trade agreements, and benefiting from commercial opportunities through trade policy reforms. For the specific purpose of supporting Colombia in the design and implementation of necessary policy reforms from FTAs, another project (RG-T2109) is being implemented. Furthermore, a project (RG-T1876) has been put in place to support Colombia´s agri-food export sector in complying with international standards and technical regulations. Colombia also takes part in a number of region-wide projects on development of the Mesoamerican Single Window (RG-T2073), trade facilitation (RG-T1878), and trade finance promotion for micro, small and medium enterprises (MSMEs) (RG-T1939) (IADB, 2012).

Others

Additional areas where attention is required include: social security; information and communication technologies; financial inclusion and limited access to finance for SMEs and productive initiatives; simplification and improvement of the existing tax system; promotion and protection of competition; and comprehensive revamping of the legal system. Furthermore, the Competitiveness Council underscores the need to continue and strengthen the fight against corruption as well as a focus on sustainable development.

Development priorities and goals

The constraints mentioned above are currently addressed in the Colombian government's National Development Plan 2010-2014 (NDP) and its goal to strengthen

Colombia's international competitiveness. In the chapter on "High and Sustainable Growth: the Internal Agenda" the NDP addresses development strategies in trade-related areas: savings, investment and finance; entrepreneurial and business development; agricultural development; physical capital; human capital; technological development; and institutions and policies. Specifically, proposals on institutions and policies for competitiveness include actions relating to economic integration such as the negotiation of FTAs, business facilitation, foreign trade (including customs and tariff regulation), legal stability agreements, free trade zones, and defence and democratic security.

In parallel, the physical capital section of the NDP outlines actions on communications (National ITC Plan), energy and transportation (e.g. new highways, rail infrastructure, airports and ports, and the National Logistics Policy), drawn up by each responsible Ministry.

Priorities in the area of human capital include resources for technical and technological education, bilingual education, improvement of education at all levels, and scholarships for study abroad. Technical development and innovation is another line of action in the NDP to promote development. To ensure effective access to foreign markets, lines of action include policies and programmes on technical regulations, including sanitary and phytosanitary (SPS) measures and technical norms.

Colombia's 2010-14 National Development Plan defines the following pillars for democratic prosperity: (*i*) sustainable growth and competitiveness: innovation, competitiveness and productivity growth, growth engines and job creation; (*ii*) equal opportunities for social prosperity: equal opportunities regardless of gender, ethnicity, social standing or origin; (*iii*) consolidation of peace throughout the country, including security, respect for human rights and a working justice system; (*iv*) convergence and regional development: reduction of regional inequalities and of opportunity gaps; and (*v*) environmental sustainability and risk prevention.

The National Development Plan defines government, civil society and the private sector as actors in achieving these objectives. Colombia additionally defines mining, housing, agriculture, infrastructure and innovation as *engines* of economic growth, job creation and development. In parallel, the NDP identifies the following cross-cutting themes to reach the goal: (*i*) good government, citizen participation, and the fight against corruption; (*ii*) international relevance; and (*iii*) cross-cutting support for regional development.

International relevance sets three different objectives, including "productive insertion into international markets". The NDP defines an internationalisation strategy that can increase Colombia's participation in the global market by stimulating competitiveness through four specific instruments: a tariff policy that promotes productive transformation; the negotiation, implementation and administration of international trade and investment agreements; promotion of investment; and trade facilitation. Trade facilitation and the promotion of foreign trade are specific objectives of Colombia's four-year National Development Plan.

The National Development Plan defines a number of strategic guidelines to achieve Colombia's insertion in international markets. Specifically, it states that to achieve this objective Colombia will: continue to negotiate, implement and manage free trade agreements, especially with priority partners; promote foreign investment through the negotiation of international investment agreements, and through adjusting existing promotion policies such as free trade zones or legal stability agreements; and facilitate trade by promoting policies to expedite foreign trade operations, improving the foreign trade single window, facilitating information on technical regulations, and implementing a registration system for trade in services.

The improvement of Colombia's business environment is another specific goal for the period 2010-14. The Plan suggests the following policies to improve the business climate, competitiveness and productivity: implement a new generation of regulatory reform to facilitate private investment; promote the use of electronic commerce; modify size-based company classification; consolidate the National Quality Subsystem; strengthen the National Metrology System; strengthen consumer protection control and oversight; and propose a new institutional corporate oversight scheme.

In addition to formal legal frameworks, the National Development Plan sets goals in regard to other trade facilitation measures such as inspection, customs control, and the creation of logistic corridors. It also addresses issues that hamper trade, such as the lack of adequate infrastructure, and sets ambitious goals in this area. Special efforts will be made to improve the advanced container transfer system, and to create and improve intermodal terminals and freight transport.

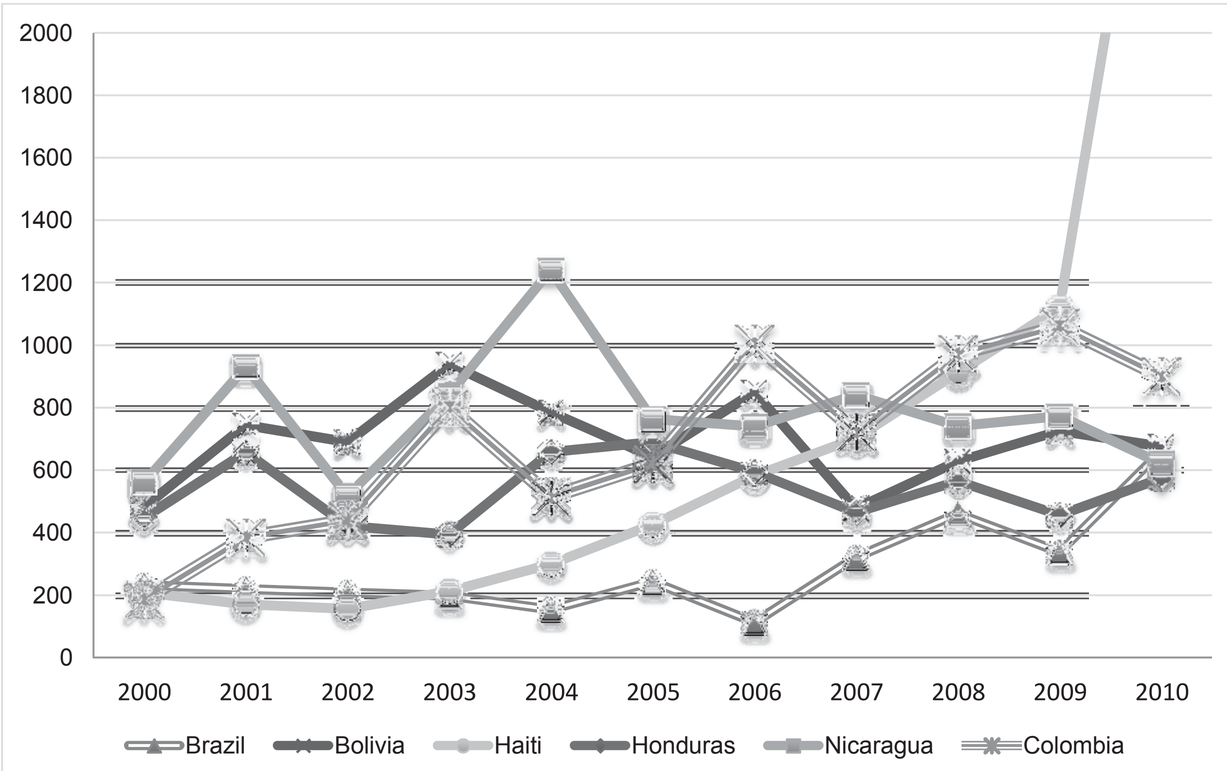
Diversification is a central goal in terms of foreign trade. Over 50% of Colombia's exports are oil, coal and iron ore, and over 50% of its exports go to two countries: the United States (38.8%) and Venezuela (10.4%) (average 2004-11, DANE, 2012). Therefore, the Colombian government is actively seeking new markets for exports and promotes non-traditional exports.

International co-operation

Over the past decade, Colombia has changed dramatically and has become an upper middle income country after almost 20 years as a lower middle income country. Aid has been an important enabler, including in the areas of the fight against poverty, security, and the fight against criminal organisations and internal displacement. Despite Colombia being the second largest recipient of net official development assistance (ODA), behind Haiti, in the Latin American and Caribbean (LAC) region, and well above the LAC average, net ODA accounted for only 0.3% of its GNI between 2007 and 2011 (Figure 7.6) (World Development Indicators, 2012).

Figure 7.6 Official development assistance received

(in current USD million)



Source: World Development Indicators (World Bank), 2012.

International co-operation has played an important role, complementary to governmental policies. It is not only present in the chapter on International Policy in the National Development Plan, but found in many other different areas as well. As Colombia has achieved improvements in security and the economy has expanded, aid has also expanded into other areas of economic development. There are currently 2 307 projects being implemented (Colombian Department for Social Prosperity, 2012). While aid to Colombia has traditionally been concentrated in the areas of social development, human rights and security, today foreign assistance supports its policies in many more areas. Colombia's top ten ODA donors and top AfT donors are described below.

During the last decade, the International Co-operation Directorate of the Presidential Agency for Social Action and International Co-operation has been in charge of co-ordinating international co-operation in Colombia. An initial institutional assessment was carried out in 2003, when improvements in areas such as information sharing, information management systems, and engagement of all actors led to better co-ordination of aid.

President Santos' 2010-14 National Development Plan specifically sets the objective of improvement and diversification of international co-operation. The Plan reiterates the importance of international co-operation in strengthening Colombia's capabilities to achieve sustainable growth, regional development and social integration, and good governance. It defines six priority areas for international co-operation: disaster risk management and post-disaster recovery and reconstruction; equal opportunities for democratic prosperity; competitiveness and development; environment and sustainable development; governance; and victims, reparation, reconciliation and human rights. Colombia will also continue and increase its support for other countries, and for partnerships to support other countries.

The government created a new Presidential Co-operation Agency in November 2011[6] and formulated a National International Co-operation Strategy in 2012[7]. The 2012-14 International Co-operation Strategy was concluded following a consultative process with the different stakeholders in international co-operation, including 21 national entities, 32 departments or states, and 231 social organisations. The government launched the strategy in March 2012 and uploaded the final version in June 2012.

The new agency is in charge of setting priorities and ensuring the alignment of international aid with the National Development Plan and Colombia's foreign policy, as well as achieving greater efficacy and impact for the aid received and offered by Colombia. In its National International Co-operation Strategy, President Santos signalled seven challenges for the new agency: to align aid with the objectives of the National Development Plan, including the three main government goals of more jobs, less poverty and more security; to engage and co-ordinate all the sectors and territorial entities, with the aim of obtaining more effective and integral foreign aid; to diversify the sources of foreign aid, given that two-thirds of foreign assistance received by Colombia over the last decade comes from three donors; to reach the goal of USD 2.2 billion in ODA by the end of the four-year term; to make foreign aid management more flexible, supported by Colombia's own institutions (only 10% of ODA is channelled through the national budget, and it is important to find a mechanism that will allow aid to be implemented through the national budget); to achieve a better regional balance in the projects implemented through foreign aid; and to consolidate South-South co-operation. (Colombia has been a strong proponent of South-South co-operation, and increasingly an actor in providing aid to other countries.) The International Co-operation Strategy sets out the different activities that develop the six priority areas already laid out in the National Development Plan, and establishes priority areas where Colombia can offer assistance to other countries.

Co-ordination of the whole system is crucial to achieve the objectives described above. Therefore, the National System for International Co-operation (SNCI) will continue to serve to co-ordinate the different actors in the different sectors, local and regional territories, authorities at all levels of government, the private sector, civil society organisations and the international donor community. The SNCI seeks to achieve better co-ordination and co-operation to promote more cost-effective aid and better alignment with national priorities, better management for results, harmonisation and mutual accountability.

Even before its accession to the Paris Declaration on Aid Effectiveness in 2007, Colombia worked to articulate the interests of the many actors and stakeholders in international co-operation, and to improve aid co-ordination and effectiveness. It is an active participant in international discussions on aid effectiveness.

The National System for International Co-operation is expected to continue to function as it did before. The new Presidential Agency is the official interlocutor for international co-operation, including for donors and government agencies.

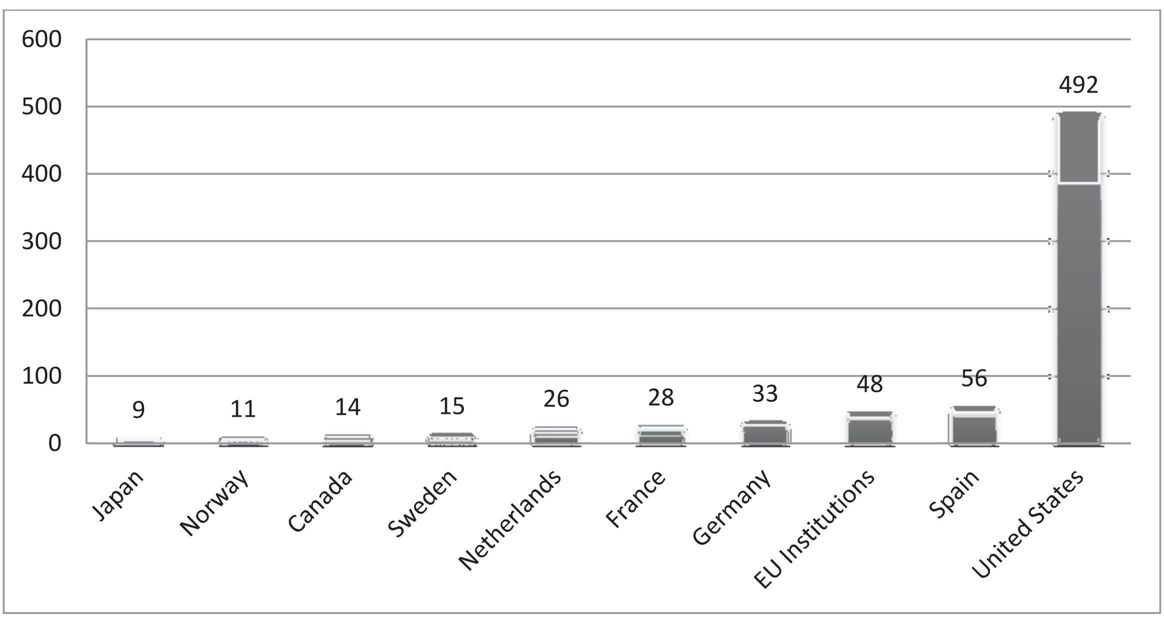
The donor community in Colombia

Colombia's vibrant donor community includes bilateral donors, multilateral and regional organisations and international financial institutions (IFIs). Bilateral donors include Australia, Austria, Belgium, Canada, the European Union, Finland, Germany, India, Israel, Italy, Japan, the Netherlands, Norway, the Republic of Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States. Several UN agencies such as the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC), and development banks such as the World Bank, the Inter-American Development Bank (IADB) and the Development Bank of Latin America (CAF) are also present in Colombia and actively give support and work to achieve development objectives.

Figure 7.7 shows the top ten donors of gross official development aid (ODA) from 2000 to 2010. The United States was by far the top donor of ODA to Colombia, followed by a number of European countries and institutions, Canada and Japan.

Figure 7.7 Top ten donors of gross official development aid (2000-2010)

(in current USD million)



Source : OECD Creditor Reporting System Database. *http://stats.oecd.org/index.aspx?DataSetCode=CRS1#*.

Alignment with country strategies and systems

Many but not all donors are increasingly aligning their priorities with those set by the government. Achieving this objective has been greatly assisted not only by the growing consensus on the importance of this element in international co-operation, but also by Colombia's efforts over the last decade to organise the different stakeholders involved in international co-operation. The government has made important efforts to map out the different programmes, projects and actors involved not only at the central but also the regional level, and not just with traditional donors but also with new ones such as NGOs and private foundations. Additionally, efforts to increase communication and co-ordinate with different actors have borne fruit, and a co-operation map is now centralised and periodically updated. While this situation is not perfect, alignment is an objective specifically set forth in the Paris Declaration, of which Colombia is now a member, and on the basis of which it works to implement its international co-operation strategy and stakeholder co-ordination efforts.

Colombia has undertaken several Paris Declaration implementation activities, including a number of thematic exercises to optimise the co-ordination of different actors. It has focused on the following areas: victims, reconciliation, humanitarian co-ordination, environment, the Millennium Development Goals (MDGs), childhood and adolescence, borders, anti-personnel mines and ethnic issues. However, implementation activities have shown different levels of effectiveness. Nationally, the implementation of activities has been centred on the establishment of a well-functioning democracy rather than results-oriented management and accountability, whereas these issues have been central at the regional level (Wood *et al*., 2011)

The Technical Report on International Co-operation, which provided the basis for the creation of the Presidential Agency for International Co-operation, highlights the importance of the ODA Information System (SIAOD) that manages information on international co-operation in Colombia, along with the 2007-10 International Co-operation Strategy, as tools that have enhanced alignment with national priorities (Office of the President of Colombia, 2011). The Technical Report states that the fact that IC only represents 0.4% of GDP, and that 0.8% of this is channelled through the national budget "requires a broader interpretation of alignment in Colombia, where aid is not necessarily channelled via the country's budget, but where there is an alignment around the country's public policies and priorities in national and international co-operation. The above is supported by the government's recognition of the contribution to development by several actors and co-operation modalities, as well as a continuous dialogue between the government and the international community on the way to channel ODA funds and the way to report the information." The report states that there is a level of alignment of new projects with domestic priorities of 98%. However, it also points out that challenges remain in the area of communication and co-ordination with donors.

The aid-for-trade strategy

While "aid for trade" is not a widely understood or utilised term in the local international community in Colombia, stakeholders in the country agree on the importance of developing skills and infrastructure to increase trade, and consider AfT activities basically linked to the country's Competitiveness and Productivity Strategy.

Colombia's responses to the 2011 joint OECD/WTO partner country questionnaire, as part of the AfT monitoring process, describe its AfT strategy as part of its economic growth and poverty reduction policies, and point out the objective of achieving "an economy that provides a higher level of well-being", which implies an increased level of investment, productivity and non-traditional exports. The 2011 questionnaire builds upon the 2009 questionnaire in which Colombia signalled competitiveness, internationalisation of the economy, and productive transformation as priority areas for improving the country's ability to benefit from international trade. The 2011 questionnaire additionally refers to the 2006-10 National Development Plan objective of "high and sustained growth: necessary for growth with equity" (OECD/WTO, 2011).

The National Development Plan sets out the six elements of the business and entrepreneurial development strategy: fostering innovation for competitiveness; competitiveness associated with business productivity; international integration and trade facilitation; proper functioning of the internal market; specific productivity and competitiveness strategies for micro, small and medium enterprises, the artisan sector, tourism and alternative energies; and access to financial services. Additionally, it states that Colombia would continue its integration into world markets by signing new agreements and deepening existing ones.

Moreover, the Ministry of Trade, Industry and Tourism Strategy sets out the following objectives, which are linked with the country's Competitiveness and Productivity Strategy: promoting exports; establishing "World Class Sectors"; fostering productivity and an employment leap; and promoting Colombia as a world class tourist destination.

Firstly, it is planned to increase exports by negotiating, implementing and taking advantage of trade and investment agreements, and by promoting high value-added exports, training and supporting exporters, simplifying and reforming regulations, enhancing inter-institutional co-ordination, and facilitating and promoting supply chains. In each of the trade agreements Colombia has negotiated, a chapter for Co-operation has been included.

Secondly, Colombia is set to establish "World Class Sectors" by selecting and promoting these sectors, creating an attractive legal framework for investment (especially for foreign investment), offering human resources training, and enhancing communication and institutional co-ordination.

Thirdly, a productivity and employment leap is to be fostered by creating new companies, especially through supporting micro and SME productivity and growth, promoting formalisation, supporting training, and publicity, with a particular focus on the public capacity for entrepreneurial development and government-academia-private sector relations. Moreover, co-operation is needed to support the country's implementation of the FTAs and agreements signed and under negotiation.

The Colombian government and the private sector created the Office to Fully Take Advantage of the FTA with the United States, henceforth called "the Office", promptly after conditions for the agreement's approval were established in late 2011 by the United States Congress. The Office's task is to identify opportunities, needs and obstacles for Colombian businesses so that the private sector can fully use and profit from this FTA (Office to Take Full Advantage of the Colombia-US FTA, 2012).

Needs and obstacles are identified in two broad areas: 1) institutional development and legal frameworks, such as sanitary and phytosanitary (SPS) and technical barriers to trade (TBT); and 2) priority actions required by the government regarding customs.

The Office, through a consultative process with business associations, companies and territorial entities, and with government agencies including the Ministries of Agriculture and of Trade, Industry and Tourism (through the National Competitiveness System), has identified 50 urgent challenges, which require 253 individual activities in the following areas:

- entrepreneurial and business development (58 activities);
- transportation (47 activities);

- agriculture (54 activities);
- institutional development (23 activities);
- environment (24 activities);
- information and communications technologies (19 activities);
- mines and energy (18 activities);
- social development (10 activities).

This strategy is integrated into Colombia's Competitiveness Strategy, which has a cross-cutting, sector and regional focus. The cross-cutting agenda includes areas such as infrastructure, institutions, energy, education, regulations, rural development, formalisation, information and communications technology, and justice.

The sectorial agenda for competitiveness and for taking full advantage of the FTA includes the Programme for Productive Transformation (whose acronym in Spanish is PTP), public-private partnerships, sector competitiveness, and the elimination of specific trade barriers and the development of the agriculture sector.

The regional and local competitiveness agenda also includes areas such as: strengthening the Regional Competitiveness Commissions and regional and local institutions; development of regional clusters based on Science, Technology and Innovation (CTeI); and competitiveness through resources from the Royalties System (Office to Take Full Advantage of the Colombia-US FTA, 2012).

Finally, co-operation is needed to support the productive sector, especially SMEs, in taking advantage of trade agreements and of international trade. Areas include support for productive transformation, development of technological development centres for SMEs, the transfer of financing know-how to SMEs, support to develop a supply and demand platform, institutional strengthening of business associations, training in government procurement procedures, supply development and subcontracting programmes, and cross-border trade of services.

Aid-for-trade flows

Colombia reported[8] receiving USD 20 million in AfT between 2002 and 2005 in the following sectors: innovation and technological development, intellectual property, labour issues, infrastructure (communications, mines, energy, training of regulators, and physical infrastructure), procedures and red tape, stability in the rules of the game and regulatory environment, investment, environmental protection and compliance, financing, SPS, customs, market access and development, business management, competitiveness in the agriculture sector, and civil society awareness. (OECD/WTO (2007)

According to the OECD, since 2002 Colombia has benefited from international co-operation in 70 of the OECD's 98 AfT classified sectors, while 70% has gone to agricultural alternative development as shown in Table 7.1.

Table 7.1 International co-operation, by OECD's sector classification (2002-10)

OECD sector classification	Share (%)
31165 Agricultural alternative development	69.07
24030 Formal sector financial intermediaries	5.60
25010 Business support services and institutions	2.82
31120 Agricultural development	2.67
33110 Trade policy and administrative management	2.27

Source: OECD, QWIDS Query Wizard for International Development Statistics.

The top 26 projects by amount, classified under agricultural alternative development (code 31165), account for over 95% of the 2002-10 AFT total under that code, and fall under alternative development projects funded by the United States.

Aid for trade case stories

On 27 July 2010, the OECD and the World Trade Organization (WTO) issued a joint call for case stories on aid for trade (WT/COMTD/AFT/W/22) in the context of the Third Global Review of Aid for Trade. Colombia reported two cases, Switzerland reported one case with Colombia, and the Inter-American Development Bank (IADB) reported a fourth one (Table 7.2).

Table 7.2 Case studies reported in the context of the Third Global Review of Aid for Trade

Country/region	Author	Donor	*Title* - Objective
Colombia	Colombia	IADB	*Digitalised Certificates of Origin*: Procedures to issue and receive digital, electronic certificates of origin
Colombia	Colombia	European Union	*Technical Assistance Project for Foreign Trade:* Strengthen Colombia's trade capacities and promote use of trade as a way to reduce poverty
Colombia	Switzerland	Switzerland	*Establishment of a National Cleaner Production (CP) Centre in Colombia*: Provide business development services to SMEs to enhance their ability to meet international standards, strengthen competitiveness, and benefit from resource efficient sustainable production.
Latin America and Caribbean	IADB	IADB	*The Mesoamerica Project*: Assist Belize, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama and the Dominican Republic with regional integration.

Source: WTO, IADB and OECD, 2011, Latin American and Caribbean Case Stories. A snapshot of Aid for Trade on the ground. *www.oecd.org/aidfortrade/48328883.pdf.*

Government monitoring system and results indicators in aid for trade

The Government Targets Monitoring System (SISMEG) undertakes periodic reviews of the goals set in the National Development Plan, including those related to trade. The following are indicators included in the SISMEG to measure progress and results in the context of the National Development Plan:

- number of public-private dialogue events to promote regional and national competitiveness;

- non-primary exports;
- companies with innovation teams;
- international investment agreements in force;
- new FTAs signed;
- foreign direct investment;
- total exports;
- World Bank Doing Business ranking;
- World Economic Forum Global Competitiveness ranking;
- monthly export percentage increase;
- monthly non-primary export percentage increase;
- increase in FDI (quarterly);
- jobs created by FDI projects supported by Proexport;
- loans to modernise SMEs.

Country-owned results and accountability frameworks

The Paris Declaration specifically defines alignment with national development strategies as one of the partnership commitments. Since Colombia signed the Paris Declaration in 2007, donors and recipients alike work to ensure that invested capital (IC) is in line with national priorities. In part because Colombia has an elaborate and detailed monitoring and evaluation system for the National Development Plan, which includes baseline indicators and strategic goals, several projects financed by or with international co-operation define objectives set out in the National Development Plan as goals and use the indicators used by the government as project indicators.

National Development Plan indicators

Colombia has a sophisticated and transparent monitoring and evaluation system for its National Development Plan in the framework of SINERGIA.[9] SINERGIA is the acronym for its name in Spanish: *Sistema Nacional de Evaluación de Gestión y Resultados*. SINERGIA consists of two parts:

- SISMEG (from the acronym for the Spanish *Sistema de Seguimiento Gerencial a Metas de Gobierno*) is the Government Targets Monitoring System, which monitors public entities and input for corrective decision making in order to meet the National Development Plan objectives;

- SISDEVAL (from the acronym for the Spanish *Sistema Nacional de Evaluaciones*) measures government interventions and is an input for process design and policy adjustments, as well as resource allocation.

The monitoring mechanism for the National Development Plan has three different levels. In the first, strategic indicators for monitoring governmental and NDP priorities are defined. In the second, programme indicators to monitor an entity's specific progress in terms of delivery of goods and services to society are set. In the final stage, the government uses performance indicators to monitor results, administrative and financial efficiencies, and continuous improvement at an entity level.

The monitoring process for the National Development Plan articulates other medium- and long-term goals in other strategic planning exercises, such as Vision 2019 or the National Competitiveness Policy. The NDP sets out the main strategic goals (Table 7.3), although monitoring is done at the three levels. Data for the indicators are reported periodically by the different government agencies. Table 7.3 presents a selection of some of the AfT-relevant indicators and goals in the 2010-14 National Development Plan.

Table 7.3 National Development Plan (2010-14): Some AfT-relevant indicators and goals

Target/strategic indicator	Baseline	2014	2019	2032
Sustainable growth and competitiveness				
GDP per capita (USD)	5 139	6 250		20 000
GDP growth (% yearly average)	4.1	6.2	6	
A. Innovation for prosperity				
Innovation (investment in science and technology as % of GDP)	0.39	0.7	2	
Non-primary exports (USD million)	14 318	21 000		
B. Competitiveness and productivity growth				
Informal employment (% of total occupied population)	61.1	54	33	
Foreign direct investment (USD million)	7 169	13 200		47 465
Exports, goods (USD million FOB)	32 853	52 600	109 172	
Exports, services (USD million)	4 196	6 200		
Connectivity				
a) Broadband internet connections (million)	2.2	8.8		
b) SMEs with internet connection (%)	7	50		
c) Homes with internet connection (%)	27	50		
Adult population in formal banking system (%)	57.3	68		
C. Growth and job creation				
Unemployment rate				
a) National average (%)	12	8.9	5	
2. Agricultural and rural development				
Agricultural dynamic (tonnes of product)	30 588 362	36 283 568		
Hectares of tradable forest plantations	364 080	596 330	1 382 064	
3. Transport infrastructure				
Infrastructure for competitiveness (total double lane km constructed – concession)	1 050	2 000		
Rail in operation (km given in concession)	906	2,000		
km of deep navigation channels – Magdalena River	200	800		
4. Mining and energy expansion				
Mining dynamic – coal production (millions of tonnes/year)	73	124		
Energy dynamic – electricity generation capacity (MW)	13 542	16 234		
Oil dynamic – production of oil and gas (barrels of oil equivalent/day)	990 600	1 420 000		
Equal opportunities for social prosperity				
Poverty and inequality				
a) Poverty incidence by income (%)	45.5	38	20	
b) Multi-dimensional poverty incidence (%)	34.6	22.4		
c) Extreme poverty incidence by income (%)	16.4	9.5		
d) Gini income coefficient	0.58	0.54		
Millennium Development Goals reached	19/51	46/51		
Consolidation of Peace				
B. Justice				
Judicial backlog (inventory of ongoing judicial processes)	2 350 000	2 250 000		
Cross-cutting supports for democratic security				
B. Good government and fight against corruption				
Transparency International index	3.5	4		
D. Cross-cutting support to regional development				
Integral municipal performance				
a) Average (%)	62.1	64.5		
b) Dispersion (%)	23	21		

Source: Bases for the 2010-2014 National Development Plan, Table X-1.

National Council on Economic and Social Policy (CONPES) monitoring system

Colombia's National Council of Economic and Social Policy (CONPES) is the highest national planning authority and acts as an advisory body of the government in the areas of economic and social development. It publishes public policy documents on general development policies. Once adopted, these documents are monitored by SISCONPES (acronym for *Sistema de Seguimiento a documentos* CONPES) or the Monitoring System for CONPES Documents. In some cases, donors and the Colombian government establish indicators based on the CONPES policy documents, which were in fact translated into policies by the Colombian government. The use of existing monitoring and evaluation mechanisms has several advantages, including the avoidance of duplication or additional reporting requirements for the implementation of staff and entities. It is also a reflection of donor alignment with government priorities, at least in the case of the National Development Plan and the CONPES policy documents.

Indicators in the International Co-operation Strategy

Currently, the Colombian government has agreed to indicators for most international co-operation projects on a case-by-case basis. In general, donors and co-operation agencies meet regularly with the Presidential Co-operation Agency to review progress on projects and interventions. Chapter 5 of the national International Co-operation Strategy, "Monitoring and Evaluation", sets out two implementation approaches: a strategic one and a tactical one. The strategic approach monitors the donor's programmes and country strategy, especially as they refer to: the amount of co-operation; alignment with domestic priorities; and effectiveness of the co-operation programmes, which includes indicators defined in co-ordination with donors and the Presidential Agency for Co-operation for each intervention. This evaluation will be undertaken annually on a bilateral level with each donor.

The tactical approach addresses the issues of pertinence, effectiveness and sustainability. Because this is a results-based evaluation, it is conducted at the product level with direct results within the project results chain in order to assess the project's contribution to development. In particular, the following will be looked at:

- pertinence: degree of alignment of projects with domestic national and regional priorities, complementarities and synergy with other initiatives, and the co-ordinated work of development actors;
- effectiveness: degree to which the objectives set forth in the project or interventions were met;
- sustainability: likeliness or probability that the results obtained can be maintained over time.

The government seeks to identify lessons learned from these indicators in order to strengthen the process of knowledge management for future endeavours in international co-operation.

Conclusions

The examination of indicators used to assess aid for trade interventions in Colombia shows that: 1) close monitoring and evaluation of interventions and their indicators during the implementation phase is crucial to adapt to a changing project environment; 2) a quasi-experimental or experimental project setup facilitates evidence-based analysis and decision making; 3) the alignment of national objectives with local needs and interests is essential for the success of the project; and 4) international comparability is an advantage.

In the case of some projects, the indicators defined prior to the project's implementation were found to be impracticable, too ambitious, and simply unrealistic, or to have other shortcomings during the implementation and evaluation phase of the project. Given the dynamics of development, such as changes in the project´s conditions, it is sometimes necessary to adjust indicators during the life cycle of a project. The modification of indicators may be necessary for the project's evaluation in some cases, and may lead from general indicators to more specific ones. However, it is important to note that attribution errors may occur and a bias towards a positive evaluation of the project may be created.

USAID uses a monitoring and evaluation programme (Box 7.1) to continuously co-ordinate, verify and evaluate information about project results and indicators (USAID, 2012/DevTech, 2012).

Box 7.1 USAID's Colombia monitoring and evaluation programme (2010-15)

The objective of USAID's Colombia monitoring and evaluation (M&E) programme is to make improvements in evidence-based decision making, planning and communication of projects and to build a resource for analysis and feedback. For the M&E programme USAID uses MONITOR from DevTech Systems, providing evaluation solutions for development projects worldwide (USAID, 2012/DevTech, 2012).

The basis of the M&E programme is the Performance Management Plan (PMP), showing the mission programme as a whole. The shared indicators are based on the PMP. Hence, the main goal is to refine and enhance the USAID Missions Strategic Framework PMP through the collection of field data.

Baseline data collection from 19 718 households is currently under way in order to examine impact over time. To create a quasi-experimental evaluation setup, the data are divided into three groups: one control, one direct, and one indirect beneficiary group. These groups will be statistically measured and compared at three points in time: baseline and two follow-ups. Moreover, a panel data set from Colombia Strategic Development Initiative municipalities, including costs of transportation and basic food, is constructed. An annual survey is conducted of attitudes and perception tracking residents' perceptions of changes in governance, confidence, social capital and future economic and social conditions. To further complement these data, secondary data from governmental entities on violence, coverage of services, state presence and other factors are gathered. In parallel, mission-wide activity-level environmental compliance is tested through reviews and field verification visits combined with technical assistance.

The resulting data are collected and organised by the mission-wide USAID/Colombia M&E Clearinghouse, which is developed and implemented through the use of a web-based management information system (the MONITOR system). The MONITOR system can be used by USAID staff, partners, and read-only users with separate interfaces. With the MONITOR system, reports at the activity, programme, project and mission levels can be generated in English and Spanish. The system also integrates secondary and global information system (GIS) data. Thus, use of the MONITOR system provides information on the exact number of beneficiaries and activities and on the intensity of beneficiaries´ participation. Moreover, it provides comprehensive information on the actual status and progress of all USAID activities, and so ensures permanent understanding of the temporal aspects of the evaluation.

The mission-wide, activity-level M&E services also provide ad hoc solutions to M&E needs. Hence, implementers and researchers are provided with easy-access and straightforward data representation demonstrating regional activities, results and impacts. As a result, reporting burdens for implementers are lowered and the process of conducting impact evaluations of projects is facilitated.

Source : Sistema de Información y Monitoreo de USAID/Colombia

In conclusion, USAD's M&E programme, if successfully implemented, will create a comprehensive database through integrating governmental institutions as well as facilitating data management, co-ordination and the impact evaluation of projects. While the M&E programme is implemented in similar forms worldwide and can therefore be replicated, it struggles with the disadvantage of complexity and high costs.

Three main recommendations can be made based on an analysis of indicators used to assess aid for trade interventions in Colombia:

Firstly, the use of monitoring and evaluation systems before, during and after a project's implementation phase is recommended as a key element to promote a project's accountability and sustainability. All participants – donors, government agencies and recipients – regard evaluating the impact of AfT project interventions as extremely important. However, differences can be observed in the expected use of the results of the evaluation processes. While in the case of the USAID and SCORE project evaluation results are continuously incorporated into the projects, in other cases these results are not used at all, or are considered as additional to the project and disregarded.

Secondly, whenever possible a quasi-experimental or experimental project setup is recommended to facilitate evidence-based analysis and decision making. There are several reasons for this: 1) indicators and metrics are easier to determine, explain, sell and monitor; 2) projects with quasi-experimental or experimental setups can be statistically evaluated; 3) modifications of indicators during the life cycle of a project must be evidence-based; and 4) proof of causality between "action" (the intervention) and "reaction" (the result of the intervention), which is being measured, can be made statistically. Using randomisation during the selection of the intervention and control group is additionally recommended.

However, quasi-experimental or experimental project setup is often unavailable. In general, politicians, government officials and community leaders are reluctant to "experiment" with their constituencies. Many interventions simply cannot be designed in an experimental way; typically infrastructure projects, trade capacity building and institutional strengthening programmes fall into this category. Finally, most of the time indicators are moving targets and can be affected by many different events.

Thirdly, the alignment of national and local objectives is essential to the success of a project and to its evaluation. Donors, governments, agencies, executors and beneficiaries have different objectives, respond to different incentives, and work within different time frames. This is exacerbated when projects are executed at sub-national level. Given the difficulty of pinning down a single objective and an indicator to measure its evolution, convergence and understanding of local reality prior to fund deployment are the best way to guarantee that they will be used as expected. Hence, it is recommended to equally integrate agents at the sub-national and national level during the design, implementation and evaluation of a project. This integration can be reached, for instance, through a centralised national agency or framework as in Colombia.

Finally, however, there is general support for evaluation efforts, but the project and its beneficiaries are always to be the centre of the intervention. Projects are undertaken for their expected impacts, not for econometric purity in the evaluation report.

Notes

1. *www.mincomercio.gov.co/englishmin/publicaciones.php?id=2996&dPrint=1.*
2. The National Competitiveness Council of Colombia publishes its National Competitiveness Report (*Informe Nacional de Competitividad*) on a yearly basis. The reports are available at *www.compite.com.co*.
3. The Colombian government issued the CONPES Policy Document 3297 in July 2004, outlining the main elements and objectives of the Internal Agenda. Working groups with representatives from the private sector, local, regional and national governments, academia, politicians, and civil society met in 96 forums and 1 638 regional meetings (with over 36 000 participants), and 3 427 people attended 151 sector-specific workshops. Governors and Chambers of Commerce headed the process at local level, and industry associations at sector level. The OAS and USAID were strong supporters of the Internal Agenda.
4. *http://wsp.presidencia.gov.co/sncei/politica/Paginas/vision-2032.aspx.*
5. The Internal Agenda and the resulting competitiveness policy led to the creation of 26 Regional Competitiveness Commissions throughout the country, and to Vision 2032. Vision 32 sets out what Colombia aspires to be by that year, which implies going from the baseline GDP *per capita* of USD 3 000 to USD 18 000 by 2032.
6. *www.apccolombia.gov.co/*.
7. *www.apccolombia.gov.co/?idcategoria=116#.*
8. OECD/WTO (2007), Questionnaires and Responses from Colombia. Answer to question No. 6., Available at *www.oecd.org/dac/aidfortrade/39643143.pdf.*
9. National Development Plan, chapter on “Monitoring Indicators for the National Development Plan”.

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Chapter 8

Towards new aid-for-trade targets?

The task of identifying a menu of aid-for-trade targets and indicators has become even more complex in recent years. The desired outcomes for aid for trade have changed since the launch of the Initiative in 2005 and the creation of the Task Force in 2006; however, these changes do not yet seem to have been fully reflected in aid-for-trade monitoring and evaluation practice, and objectives assigned to aid for trade should be reviewed accordingly. In particular the growth of global value chains has increased the interconnectedness of economies and led to a growing specialisation in specific activities and stages in value chains rather than in entire industries.

Global Value Chains[1]

Global value chains (GVCs) have become a dominant feature of world trade and encompass firms in both developing and developed economies. The whole process of producing goods, from raw materials to finished products, is increasingly carried out wherever the necessary skills and materials are available at competitive cost and quality. This fragmentation of production has created potential new opportunities for developing countries to enter global markets as components or services suppliers, without having to build the entire value chain of a product. By providing access to networks, global markets, capital, knowledge and technology, integration in an existing GVC can provide a first step to economic development that is often easier than building a complete value chain (OECD, 2013).

An important implication of the new GVC paradigm is that one should look beyond industries to understand trade and production patterns. The GVC literature insists on business functions, which are the activities along the supply chain, such as R&D, procurement, operations, marketing, customer services, etc. Countries tend to specialise in specific business functions rather than specific industries involving specific tasks. Discerning the benefits from trade and GVC participation in this increasingly complex and interconnected economic context is difficult using standard trade accounting. With inputs being sourced from diverse locations and often being assembled in another, gross export data can overstate the benefits accrued from this type of trade by double counting the values of inputs as they cross borders. Looking at trade flows through the lens of value added (using the new OECD/WTO Trade in Value Added database [2]) provides a more complete picture of how a country's exports are interwoven with others in third countries and how value is distributed throughout value chains.

Motivated by the success of a number of emerging economies within GVCs, developing countries are also aiming to become more integrated in international production networks. GVCs as a new form of globalisation allow these countries to integrate rapidly in the global economy. But despite their large advantages in terms of (labour) costs, developing countries are disadvantaged in other aspects. A new global dataset of bilateral trade costs developed by the World Bank and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) shows that developing economies face higher trade costs and larger connectivity constraints which directly increase the costs of offshoring to these countries. Trade costs result from a broad range of factors including tariff- and non-tariff barriers, logistics, transportation costs, etc. but also geographical and cultural distance, and are found to be negatively related to per capita income (Arvis *et al*., 2013).

Tariffs, for example, can add up to a significant level by the time the finished good reaches customers, stifling demand and affecting production and investment at all stages of the value chain. Protection measures against imports of intermediate goods and services increase the cost of production and reduce a country's ability to compete in export markets: tariff and other barriers on imports are a tax on exports. Policies that restrict access to foreign intermediate goods and services also have a detrimental impact on a country's position in regional and global supply chains. Where foreign investment is a driver of export capacity, the cumulative effect of a number of seemingly small costs may discourage firms from investing, or from maintaining investment, in the country – and may lead then to bring production facilities, technologies and jobs elsewhere. Lastly, trade facilitation measures, including fast and efficient customs and port procedures are essential to the smooth operation of supply chains, with recent OECD work indicating that every extra day needed to ready goods for export and import reduces trade by around 4 % (Korinek and Sourdin, 2011).

GVCs have benefitted from decreasing trade (including transportation) costs and coordination costs, and integration into GVCs depends to a large extent on the ease and costs of international flows of goods, services, capital, knowledge and people, etc. Although firms are the main actors in GVCs, governments have an important role to play in creating the appropriate framework conditions for GVCS, including a conducive business environment. Effective policies at the border as well as behind-the-border are necessary to increase the engagement in GVCs. Favourable border policies for integration into GVCs imply in the first place lower trade barriers. Trade costs play a larger role in vertical trade within GVCs compared to regular trade as vertical specialisation leads to goods crossing national borders more times before reaching the final consumer (Yi, 2003; Ma and Van Assche, 2010). The reduction in trade barriers has strongly favoured the shift from import substitution to export promotion policies and the economic integration of East Asia (Hummels *et al*., 2001). Trade barriers to GVCs depend on the level of trade tariffs and the existence of non-tariff barriers; the efficiency of border processes and customs practices are also an important determinant of the costs and time to export and import. Domestic regulations and trade-related bureaucracy are important cost factors for companies that have to operate in a competitive and timely manner within GVCs (WTO and IDE/JETRO, 2011).

Second, just like trade barriers, lower investment barriers facilitate the integration of countries in international production networks as lower barriers favour the location of investments by lead (MNE) firms. In addition to specific investment rules or restrictions, barriers to investment cover a broad range of policy areas that determine how attractive countries are for international investment: investment policy, trade policy, competition policy, tax policy, human resources, infrastructure, corporate governance, responsible business conduct, public governance, promotion and facilitation.

Third, the quality of infrastructure is increasingly considered as a key determinant for the success of countries in international production networks. A high quality transportation infrastructure with major international gateways and corridor infrastructures such as airports, harbours, railways and highways is an important factor of countries' integration into GVCs. Gateway ports, hubs and their inland transport connections are crucial for the international transfer of goods, services and people. Maritime transport has greatly benefitted from containerisation: standardization, automation and inter-modality of freight have resulted in faster movement of intermediate and final goods within GVCs. Air transport has become important especially for the (international) transfer of high-value and low-volume products, and for time-sensitive goods due to Just-In-Time production and other lean production processes within GVCs.

Speed and flexibility are crucial not only for the exchange of physical goods/services but especially for information flows across countries within GVCs. Adherence to international standards has become increasingly important for the production of the increasingly modular physical goods as well as for the exchange of information across borders. GVCs crucially depend on the seamless and uninterrupted information flows across companies and countries; ICT networks channel business information and data needed for the efficient coordination of activities across locations. A well-developed ICT infrastructure (communication, broadband, etc.) is therefore necessary to connect countries to value chain activities of companies. Overall, reductions in effective transportation and communication costs can be seen as equivalent to trade liberalization in reducing the costs of exchange and enhancing trade between countries (Globerman, 2011).

Fourth, in addition to the investments in 'hard' transportation and communication infrastructure, the development of a 'soft' infrastructure (facilitating policies, procedures and institutions) is at least as important for the integration of countries in GVCs. Recent research has pointed to the quality of the institutional framework as a source of comparative advantage (Levchenko, 2011). Since GVCs involve a large number of activities contracted between different companies, i.e. MNEs and independent suppliers, contract enforceability is crucial for the smooth functioning of GVCs. Countries with better legal systems are indeed found to export more in more complex industries (Costinot, 2009; Levchenko, 2007). Moreover, tasks that require more complex contracts (e.g. R&D, design, branding, etc.) are more cheaply conducted in countries that have well-functioning contractual institutions (Acemoglu, 2007). Farole (2010) showed that countries characterised by bad governance and political instability, e.g. some countries in sub-Saharan Africa, have failed to attract foreign investors to export processing zones despite the fact that these dedicated zones promised to shelter investors from local rules (Cadot *et al*., 2011).

Fifth, competitiveness in GVCs is critically dependent upon efficient services inputs, also in manufacturing. Embedded services largely represent the 'glue' between countries' infrastructure and companies' activities within the trade-investment-services nexus of GVCs. Investments in logistics services (i.e. services and processes for moving goods from one country to another) are found to be strongly trade enhancing; examples are the organisation and management of international shipment operations, tracking and tracing and the quality of transport and information technology infrastructures. High quality logistics impact trade relatively more than less policy-dependent trade determinants such as distance and transport costs; recent OECD results indicate that every extra day needed to ready goods for export and import reduces trade by around 4% (Korinek and Sourdin, 2011).

Last but not least, the supply capacity of domestic firms (often SMEs) is key to connect them better into GVCs. Companies are attracted to 'thick' markets in their search for independent suppliers in foreign markets: if the market is large, companies will have a larger chance to find the appropriate match and in the case the supplier fails to deliver, alternative solutions are available (WTO, 2008). Some countries have implemented initiatives to increase the opportunities for business linkages between local firms and international partners, ranging from the provision of information and building awareness, training facilities and courses, capacity building programs, upgrading activities, etc. (UNCTAD, 2006; OECD, 2005).

Since GVCs offer new opportunities to engage in stages of the production processes with relatively low levels of initial investment, entry barriers to integrate in the global economy have decreased. But while several developing economies have been able to integrate in GVCs, there are also many low-income countries that remain excluded from access to GVC due to a wide array of constraints. The consolidation of global value chains following the economic crisis in recent years may also leave countries behind. Only those developing countries able to offer the appropriate 'bundle of tasks' will remain suppliers in consolidated GVCs while others may be excluded (Cattaneo and Miroudot, 2013).

The challenge for developing economies is to engage in a broad strategy that tackles the key barriers to integration and upgrading in GVCs. Capacity building can help developing countries tackle some of the constraints they face, but may be difficult to achieve for the poorest developing economies. To assist developing countries in taking advantage of value chains, development co-operation can play an important role when supported by appropriate domestic policies. Support from the donor community through 'aid for trade' initiatives can help reduce the thickness of borders and develop adequate infrastructure. In addition, these programmes can also help producers meet public and private standards and promote private sector development.

One of the emerging objectives of aid for trade is to link developing countries to major value chains and production networks. Many of the projects are intended to up-grade quality of traditional exports or to reduce specific trade costs hampering connection to value chains (OECD/WTO, 2011). In addition, donors aim to strengthen the private sector in developing countries through support for creating a business friendly environment: including macroeconomic strategies, governance issues, and policy, legal and regulatory frameworks. Aid for the private sector also encompasses other activities which try to address market failures, overcome information asymmetries and provide business development services, for example, R&D, standardisation and certification and the provision of financial services. Some donor activities target individual enterprises with technical assistance, information and advisory services and the provision of finance.

Until now, only a few evaluations of the long-term impact and sustainability of donor activities have been undertaken; the first positive indications suggest development co-operation can make a significant contribution in helping developing countries connect to regional and global value chains. The challenge is to ensure the continued relevance of the Aid-for-Trade Initiative in this changing trade and development landscape. Tools to assess the performance of aid for trade interventions need to incorporate these new objectives.

Next steps: Towards UN development goals

Would it be possible to take the exercise one step further and, along the MDGs model, agree on specific quantifiable targets for each aid for trade goal, to be achieved by 2025 (or any other date)? This approach is enticing, but raises a number of questions. For example: Is it possible to impose such targets on developing countries only? How is it possible to manage the basis risks (i.e. go around the attribution issue)? Nonetheless, this exercise might be worthwhile, and sticking to the MDGs format, the following provides an idea of how this next step could look like (indicative list).

Goal 1: Reduce the number of obstacles to trade at the borders

Target 1.A: Reduce average tariffs by …%

Target 1.B: MFN-0 represents …% of the tariff lines

Target 1.C: Tariffs above …% represent less than …% of the tariff lines

Target 1.D: Quotas are removed

Target 1.E: Average time for customs clearance not to exceed …days

Target 1.F: Custom duties are reduced by …%

Goal 2: Reduce trade-distortive or discriminatory measures beyond the borders

Target 2.A: Tariff-equivalent of NTMs is reduced by …%

Target 2.B: Services trade restrictiveness index drops to …%

Goal 3: Mainstream and promote trade, trade integration and investment

Target 3.A: Trade appears in …% of the PRSPs

Target 3.B: A new round of negotiations is concluded in the WTO

Goal 4: Improve the accessibility/connectivity of markets (telecoms and transport)

Target 4.A: Average cost of transport to represent …% of the value of merchandises

Target 4.B: Average cost of 3mn phone call to the US to not exceed …$

Target 4.C: Phone penetration rate to reach …%

Target 4.D: Internet penetration rate to reach …%

Goal 5: Improve other domestic infrastructure and basic services

Target 5.A: Power outages in firms in a typical month not to exceed …

Goal 6: Improve the legal/regulatory environment for business

Target 6.A: Number of procedures to enforce a contract not to exceed …

Target 6.B: Losses due to theft, etc. not to exceed …% of sales

Goal 7: Improve the organisation and performance of markets

Target 7.A: Post-harvest losses not to represent more than …% of production

Goal 8: Increase productivity, production and innovation capacities

Target 8.A: Number of patents to increase by …%

Goal 9: Facilitate adjustment to tariff and price fluctuations

Target 9.A: Revenues from tariffs not to exceed …% of public revenues

Goal 10: Help restructure industries/sectors facing a trade shock

Target 10.A: …% of firms benefiting from safeguards have received restructuration support

Goal 11: Provide safety nets and training opportunities for workers affected by trade

Target 11A: …% of unemployed in tradable industries and services have been trained

Goal 12: Facilitate the movement of productive capacities

Target 12.A: Time for the attribution of a business visa not to exceed …

Goal 13: Help enforce trade-related rights and obligations

Target 13.A: Developing countries to represent …% of the WTO complaints

Goal 14: Promote responsible business/investment principles and practices

Target 14.A: …% of foreign investors have signed the Principles for Responsible Investment

Goal 15: Further develop of an open, rule-based, predictable and non-discriminatory trading system

Target 15.A: Significant progress in WTO negotiations

Goal 16: Help increase competitiveness and attractiveness for foreign investment

Target 16.A: FDI to grow at average …% a year

Goal 17: Achieve increased exports/export market shares and foreign reserves

Target 17.A: Exports to grow at average …% a year

Goal 18: Achieve further diversification of exports and imports

Target 18.A: 5 main destinations of exports not to represent more than …% of total exports

Target 18.B: 5 main origins of imports not to represent more than …% of total imports

Target 18.C: 5 main exports not to represent more than …% of total exports (oil excluded)

Goal 19: Help increase and consolidate participation to global value chains

Target 19.A: Average length of GVCs across all industries to reach index …

Target 19.B: Foreign value-added and domestic value-added used in third countries' exports to represent …% of gross exports

Goal 20: Reduce trade costs and prices of imports/inputs

Target 20.A: Cost to import/export a container not to exceed …$

Goal 21: Help reallocation of production capacities to more competitive and higher value-added segments

Target 21.A: High value-added sectors to grow on average at minimum …%

Goal 22: Create jobs

Target 22.A: Number of jobs in tradable goods and services sectors to increase by …%

Goal 23: Increase the level and predictability of income

Target 23.A: Level of income in tradable goods and services sectors to increase by …%

Target 23.B: Employment in informal sector to be reduced by …% in tradable goods and services sectors

Goal 24: Achieve economic and social upgrading

Target 24.A: Value-added to represent …% of total trade value

Goal 25: Accelerate the diffusion of technology and knowledge

Target 25.A: …% employed by foreign company to receive training

Goal 26: Promote a better and more sustainable use of resources

Target 26.A: CO_2 emissions in tradable industries and services to be reduced by …%

Target 26.B: Organic water pollutant emissions in tradable industries to be reduced by …%

Goal 27: Increase political and economic stability

Target 27.A: Absence of terrorism

Notes

1. This section draws on *Interconnected Economies: Benefitting from global value chains*, OECD (2013).
2. See *www.oecd.org/trade/valueadded.*

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Annex A

Aid-for-trade management framework: Trade-related targets

Level 1: Direct objectives/outcomes

Technical assistance for trade policy and regulation		
Objectives	Indicators	
	Qualitative	Quantitative
Suppressing/reducing obstacles to trade at the border, including trade facilitation Activities to target, among others: • Suppression of quotas and other quantitative restrictions on imports and exports • Reduction of tariffs, suppression of tariff peaks, tariff escalation or simplification of tariff schedules • Customs modernisation and reform, harmonisation of procedures and co-operation across borders • Simplification of customs procedures, including SPS, TBT, and other certifications, rules of origin, valuation, etc. to conform with relevant agreements or international best practices • Implementation of WTO or regional/bilateral commitments (e.g. common external tariff)	• Changes in the legal and/or regulatory framework • Institutional reforms • Changes in practice	• Trade restrictiveness Indices – OTRI, TTRI (WTI 1.1) • Binding coverage and bound rates (WDI) • Share of tariff lines with peaks/specific rates (WDI, WTI 1.6) • MFN applied tariffs – AV+AVE or AV only (WDI, WTI 1.2, 1.3) • Applied tariffs incl. preferences (WDI, WTI 1.4) • Tariff escalation (WTI 1.5) • MFN 0 tariff lines/Import value (WTI 1.7) • Tariff bounds/Overhang (WTI 1.8) • Non-AV tariffs (WTI 1.9) • Non-tariff measures (WTI 1.10) • Customs duties (WTI 1.11) • Export restrictions (WTI 1.13) • Logistics performance index and its indicators – efficiency of customs and other border procedures (LPI, WTI 4.1) • Trading across borders – Doing Business (IFC, WTI 4.2) • Trade Enabling and Global competitiveness indexes – goods market efficiency: burden of customs

Technical assistance for trade policy and regulation		
Objectives	Indicators	
	Qualitative	Quantitative
		procedures, prevalence of trade barriers, trade tariffs, efficiency of customs administration, efficiency of import-export procedures, transparency of border administration (WEF GCI 6.10, 6.11, 6.13, ETI 1.01-4.02) • Average time to clear exports through customs/time to export/import (WDI) • Documents to export/import (WDI)
Suppressing/reducing trade-discriminatory or distortive measures beyond the border Activities to target, among others: • Suppression or reduction of trade-distortive subsidies • Suppression of domestic regulations and measures incompatible with the national treatment and most-favoured nation principles, in particular in the domain of services, to include limits on equity, nationality requirements, local content, etc. • Removal of other market access and non-tariff barriers to trade • Implementation of WTO or relevant regional/bilateral commitments (e.g. provisions on services or investment)	• Changes in the legal and/or regulatory framework • Institutional reforms • Changes in practice	• Services trade restrictiveness indexes (WB and OECD) • GATS commitment restrictiveness index (WTI 1.14) • NTMs statistics – surveys and tariff-equivalents (WITS) • Global competitiveness index – goods market efficiency: agricultural policy costs, prevalence of foreign ownership, business impact of rules on FDI (WEF GCI 6.08, 6.11, 6.12)
Mainstreaming trade and investment, including through multilateral /regional/ bilateral agreements and improved market access Activities to target, among others: • Trade negotiations, including training and domestic consultations, for WTO accession, WTO negotiations, plurilateral (e.g. on telecoms), regional and bilateral trade agreements, other types of trade-related agreements, such as bilateral investment treaties, open sky agreements, etc. • Trade-policy reviews, diagnostics, and	• Significant progress or successful conclusion of trade and trade-related negotiations • Increased occurrence of trade and trade-related issues in growth and development programmes (PRSPs, CAS, etc.)	• Market access trade restrictiveness indices (WTI 2.1) • Rest of the world applied tariffs, including preferences (WTI 2.2) • MFN 0 export value (WTI 2.4) • Asia regional integration indicators (ADB)

Technical assistance for trade policy and regulation		
Objectives	**Indicators**	
	Qualitative	**Quantitative**
other forms of monitoring, including data collection • Design of trade strategies and mainstreaming in other development or growth plans • Trade-related research, teaching or training	• Increased publication, information and data on trade	• Number of FTAs/CUs (WTI 2.5) • Preferential exports take up/utilisation rates/value (WTI, 2.5) • Share of trade with FTA/CU partners (WTI 2.5)

Economic Infrastructure		
Objectives	Indicators	
	Qualitative	Quantitative
Increasing the accessibility and connectivity of the domestic market, and the security, predictability, reliability and efficiency of transports/logistics, tele-communications and ICT Activities to target, among others: • Reforms of the telecommunications sector, including infrastructure, regulation, competition, and access for all segments to include fixed lines and mobiles • Development of the ICT sector and the Internet (infrastructure, regulation, competition, access) • Reforms of the transport, logistics and ancillary services, including infrastructure, regulation, competition for land (road and rail), maritime/water and air • Regional infrastructure for trade corridors, and other forms of regulatory harmonisation and co-operation	• New infrastructure and trade “links” • Changes in the legal and/or regulatory framework • Changes in institutions (including regulation authorities) • Changes in practice	• Logistics performance index and its indicators – quality of transports and IT infrastructure, international transport costs, logistics competence, trackability and timeliness of shipments, domestic transportation costs (WDI, LPI, WTI 4.1) • Trading across borders – Doing business (IFC, WTI 4.2) • Trade Enabling and Global competitiveness indexes – infrastructure: quality of infrastructure overall, roads, railroads, ports, air transport, available seats, fixed telephone lines/100, mobile phone subscriptions/100, availability and quality of transport infrastructure and services, availability and use of ICTs (WEF GCI 2.01-2.09, WEF TEI 4.01-7.05, WDI); – technological readiness (WEF GCI 9.01-9.06) • Africa infrastructure country diagnostic (AICD) • Liner shipping connectivity index (UNCTAD, WTI 4.3) • Baltic Exchange Dry Index (WTI 4.3) • Lead time to export/import (WDI) • Port container traffic (WDI, WTI 4.3) • Total/air freight and costs (WTI, 4.3) • Number of seats available, airlines, international routes, airport passenger statistics (IATA, WDI) • World

Economic Infrastructure		
Objectives	Indicators	
	Qualitative	Quantitative
		telecommunication/ICT indicators database and ICT Development Index (ITU) • Foreign participation/ownership in telecoms (ITU, WTI 1.14) • Competition index in telecoms (ITU, WTI 1.14) • Number of international gateways, landing stations, licenses for fixed and mobile phone, Internet providers (national data, WB and OECD STRI) • Mobile and fixed-line telephone subscribers/population covered by mobile cellular network (WDI, WTI 4.4) • Average cost of 3-minute call to US (WTI 4.4) • Personal computers (WTI 4.4) • Internet/broadband users/subscribers (WDI, WTI 4.4) • Internet bandwidth, secured servers (ITU, WDI)
Improving other domestic infrastructure, including storage and energy Activities to target, among others: • Storage infrastructure • Reforms pertaining to access, regulation, competition in the field of energy (production and distribution) and other natural resources essential to certain activities (e.g. water in agriculture)	• Changes in legal/ regulatory framework • Changes in practice • Changes in institutions	• Procedures and time to build a warehouse (WDI) Time required to get electricity (WDI) • Energy statistics/Access to electricity (IEA, WDI) • Quality of electricity supply (WEF 2.07) • Power outages in firms/value lost in power outages (WDI) • Electricity cost (WTI 4.6) • Pump price for fuel (WTI 4.6)

Productive capacity building (including trade development)		
Objectives	Indicators	
	Qualitative	Quantitative
Improving the legal/regulatory/business environment, including: **Technical and SPS standards** Activities to target, among others: • Capacity building for certification and accreditation (labs, personnel, resources, etc.) • Adoption or reform of domestic norms and standards to comply with international best practices • Promotion of standards, including voluntary standards, and related training • Private sector support to comply with standards **Intellectual property** Activities to target, among others: • Improvement of IP regime and administration to comply with trade agreements, to include patents, authors' rights, geographical indications, etc. • Improvement of enforcement mechanisms and practices • Promotion of IPRs and related training or technical assistance **Competition, including privatisations and concessions** Activities to target, among others: • Privatisations, concessions, and other forms of opening of sectors to competition • Elaboration and implementation of a competition framework, including competition law, competition authority (e.g. independence, resources, etc.), competition law enforcement (e.g. investigations, sanctions, etc.) and related training or technical assistance **Government procurement** Activities to target, among others: • Adjustment of the laws pertaining to public procurement, including transparency, selection criteria,	• Changes in legal/regulatory framework • Changes in practice (including in court and other administrative enforcement mechanisms) • Changes in institutions • International agreements pertaining to the recognition of domestic standards, certifications, etc.	• Ease of doing business index (IFC, WTI 3.1, WDI) • World governance indicators – corruption, rule of law, government effectiveness, regulatory quality, political stability (WTI 3.2) • Enabling Trade and Global competitiveness indexes – Regulatory environment (WEF ETI, 8.01-08) – institutions: property rights, ethics and corruption, undue influence, government inefficiency, security (WEF GCI 1.01-1.16) – labour market efficiency (WEF GCI 7.01-7.09); – financial market development (WEF GCI 8.01-8.08); – goods market efficiency (WEF GCI 6.01-6.16) – business sophistication: state of cluster development (WEF GCI 11.03) • Enterprise ownership (government, private foreign, private domestic) (ADI) • Cost of business start-up procedure/procedures to register a business (WDI) • Time spent in meetings with tax officials/expected gifts/informal payments to public officials (WDI) • Firms using banks to finance investment (WDI) • Strength of legal rights index (WDI) • Time required to enforce a contract (WDI) • Time required to obtain an operating license/register property/start a business

Productive capacity building (including trade development)		
Objectives	**Indicators**	
	Qualitative	**Quantitative**
national preference, etc. **Security of contracts and investment** Activities to target, among others: • Strengthening investor protection, including rights to challenge domestic regulations/decisions • Development of alternative dispute resolution mechanisms available to foreign investors (e.g. recognition of international arbitration, bolstering of domestic arbitration capacities) • Adjustment of the laws pertaining to nationalisation, expropriation, foreign ownership, stability clauses, etc. **Corruption** Activities to target, among others: • Reforms aimed at fighting corruption in the public (e.g. customs) and private sectors • Promotion and adoption of relevant international instruments **Administrative burden** Activities to target, among others: • Administrative reforms towards simplification and reduction of administrative procedures (e.g. guillotine reform), increase in transparency, predictability, timeliness, and security of administrative decisions (e.g. suppression of authorisations) **Access to finance** • Reforms of the financial sector, including micro-finance, to increase affordability and availability of financial services • Export credit and trade finance **Other constraints** Activities to target, among others: • Creation of export processing zones, business clusters, technology centers, etc. • Revision of relevant labour regulations		(WDI) • Banking GATS commitment index (USITC, WTI 1.14) • Export credit – insured exposures (WTI 4.5) • Indicators of financial structure, development and soundness (IMF) • Access to finance (WDI) • Diffusion of voluntary standards and ISO certification ownership (WDI, national statistics) • Value of seized counterfeited goods (national statistics) • Number of registered trademarks, patents, etc. (WIPO, WDI) • Number of competition investigations and sanctions (national statistics) • Public procurement penetration ratio – Public imports/public demand % (national statistics) • Arbitration awards (ICSID and other arbitration bodies statistics) • Protecting investors (ADI) • Security costs (ADI)

Productive capacity building (including trade development)		
Objectives	Indicators	
	Qualitative	Quantitative
towards greater labour market efficiency • Revision of regulations pertaining to the form of business operations and partnerships (e.g. franchises, multi-sector partnerships, etc.) • Increasing security of operations and staff against crime and violence		
Improving business support and the organisation, connectivity and performance of markets, including e-commerce Activities to target, among others: • Export and investment promotion and incentives • Analyses and information on markets, opportunities, threats, etc. • Marketing, branding, international presence and promotion efforts • Sectoral, professional or other forms of associations (e.g. chambers of commerce) and consultations • Development of trade corridors, and other regional forms of hard and soft networks (e.g. regional regulatory agency, regional distribution network, etc.) • Development of regional markets and stocks/boards of trade, price regulation mechanisms • Organisation of the value-chains and sectors (*filières*), including storage and distribution channels • Development of e-commerce (*e.g.* infrastructure, legal framework, protection of data, security of payments, etc.)	• Changes in institutions • Changes in the legal/regulatory framework (including at the regional level) • Changes in practice	• Logistics performance index and its indicators – quality of transports and IT infrastructure, international transport costs, logistics competence, trackability and timeliness of shipments, domestic transportation costs (WB, WTI 4.1) • Global competitiveness index – business sophistication: extent of marketing, state of cluster development, value chain breadth, control of international distribution production process sophistication, delegation of authority (WEF GDI 11.05-11.09) – goods market efficiency • Value of e-commerce, number of ICT firms, number of secured servers (WDI, ITU, national statistics) • Post-harvest losses (African Postharvest losses Information System)
Bolstering productivity and innovation capacities, including human capital and other resources Activities to target, among others: • Innovation policies and incentives (e.g. R&D, innovation centers) and adaptation/diffusion of technologies in trade-oriented sectors	• Changes in institutions • Changes in the legal/regulatory framework • Changes in practice	• Computer, communications and other services, ICT goods and services imports/exports (WDI)

Productive capacity building (including trade development)		
Objectives	Indicators	
	Qualitative	Quantitative
• Education and training to match domestic skills with international standards and demand in trade-oriented sectors/upgrading of available skills • Development of production hard (e.g. storage, conditioning, cooling chains, etc.) and soft (e.g. value-chain management) capacities in trade-oriented sectors • Creation of clusters and other task bundling efforts • Changes in production (methods and equipment) towards more efficient and sustainable use of natural resources (e.g. water) and energy		• Investment in telecoms with private participation (WDI) • Firms offering formal training (WDI) • Number of patent applications filed by residents and non-residents, domestically and abroad (WDI, WIPO) • Education statistics – secondary and tertiary education, specialties, male/female, etc. (UNESCO, ILO, WDI) • Global competitiveness index – business sophistication (WEF GCI 11.01-11.09); – innovation (WEF GCI 12.01-12.07) • Extent of staff training (WEF GCI 5.08) • Labour statistics – activity rates, unemployment, male/female, etc. (ILO, WDI) • Innovation indicators and surveys – public and private R&D expenditure, high and medium-high technology manufacturing, knowledge intensive services (OECD) • Production capacities – sector output – and productivity statistics (national statistics, WIOD)

Trade-related adjustment		
Objectives	**Indicators**	
	Qualitative	**Quantitative**
Adjusting to fluctuations in tariffs and prices Activities to target, among others: • Compensations and reforms linked to tariff erosion and movement from unilateral to reciprocal preferences • Compensations and reforms linked to losses in tariff/custom revenues • Mechanisms and policies to deal with price volatility	• Changes in institutions • Changes in the legal/regulatory framework (including fiscal policy) • Changes in practice	• Price volatility of imports • Customs/tariffs and other revenues (WITS)
Restructuring industries/sectors facing a trade shock Activities to target, among others: • Soft industrial policy • Industrial adjustment programmes, impact mitigation plans	• Changes in institutions • Changes in the legal/regulatory framework • Changes in practice	• Number of beneficiaries (national statistics) • Changes in production and employment in sectors open to trade and/or affected by trade shocks (national statistics)
Providing safety nets and training opportunities for workers negatively affected by trade Activities to target, among others: • Labour and social adjustment schemes	• Changes in institutions • Changes in the legal/regulatory framework • Changes in practice (including in the private sector) • Results of the re-qualification programmes (success rate, etc.)	• Number of beneficiaries (national statistics) • Employment/unemployment rates in sectors open to trade and/or affected by trade shocks (ILO)

Other trade-related needs		
Objectives	**Indicators**	
	Qualitative	**Quantitative**
Ensuring enforcement of trade-related rights and obligations, including trade remedies and safeguards Activities to include, among others: • Assistance to the use of dispute settlement mechanisms in the WTO and other trade or investment agreements (e.g. RTAs) • Reform of trade remedies mechanisms and practices (e.g. antidumping, CVDs), including training and data collection • Reform of safeguards	• Changes in institutions • Changes in the legal/regulatory framework • Changes in practice	• Trade remedy measures (AD, CVD, SG) in force/initiations/impositions (TTBD, WTI 1.12, 2.3) • WTO consultations and disputes initiated (WTO, WTI 1.13, 2.3)
Promoting an international framework for responsible investment and business practices Activities to include, among others: • Negotiation and adoption of international instruments for responsible investment and business – including the promotion of voluntary standards and best practices (e.g. for extractive industries, for agriculture and fisheries, land grabbing, intra-production network competition, responsible sourcing, etc.) • Negotiation and adoption of international instruments pertaining to the environment, good governance, labour conditions/Monitoring of the respect of these international instruments	• Changes in institutions • Changes in the legal/regulatory framework • Changes in practice (including in the private sector) • Adoption of relevant international instruments	• Global competitiveness index – institutions: corporate ethics and accountability (WEF 1.17-1.20) • Signatories of responsible investment principles in the country (UN Compact, OECD)

Level 2: Intermediate objectives/outcomes

Objectives	Indicators	
	Qualitative	Quantitative
Developing an open, rule-based, predictable, and non-discriminatory trading system Increasing competitiveness and attractiveness for foreign investment	• WTO/PTA membership and level of commitments/ locked-in reforms • Active participation to negotiations (offers, requests, etc.)	• Global Services Location Index (AT Kearney) • Travel and tourism competitiveness index (WEF) • Global competitiveness/enabling trade index (WEF) • Trade and development index (UNCTAD) • FDI inflows and outflows (WTI 6.10)
Increasing exports and export market shares/Increasing foreign currency reserves or restoring BoP equilibrium		• Trade performance index (ITC) • Export/import value/volume index (WDI) • Real/nominal growth in trade – total and per sector (WTI 5.1, 5.2) • Trade balance – goods services, current account – and international reserves (WTI 6.6) • Shares and growth in shares of world trade (WTI 6.7, 6.8) • Trade in value-added (WTO-OECD) • Remittances inflows and outflows/rankings (WTI 6.10)
Diversifying exports and imports (products/services and origin/destination)		• Trade performance index (ITC) • Agricultural raw materials, food, fuel, merchandise, manufactures exports/imports (WDI)

Objectives	Indicators	
	Qualitative	Quantitative
		• Merchandise exports/imports by country/region/income level (WDI) • Trade composition – share of goods, services and sectors (WDI, WTI 6.3, 6.4) • Product and market diversification – number of products exported/imported, share of top 5 products and markets, export/import product concentration index (WTI 6.9)
Increasing trade integration and consolidating participation to global value chains		• Trade integration – trade as % of GDP (WTI, 5.5) • Global competitiveness index – business sophistication: value chain breadth, control of international distribution, local supplier quantity/quality, state of cluster development, production process sophistication (WEF GCI 11.01-11.09) • Trade in intermediate goods and services; trade in tasks (national statistics) • Intra-firm trade (national statistics) • Input-output tables (national statistics, WIOD) • MNCs investment and establishment (UNCTAD)
Reducing the trade costs (exports) and price of imports/inputs		• Cost to export/import (WDI) • Commodity prices (WTI 2.7) • Logistics performance index (LPI, WTI 4.1) • Trading across borders – Doing business (IFC, WTI 4.2) • Freight and air freight cost (WTI 4.3)

Objectives	Indicators	
	Qualitative	Quantitative
Reallocating production capacities to more competitive and higher value-added activities		• Sector and economy-wide input-output tables (national statistics, WIOD) • Share of production and employment in tradable goods and services (national statistics, ILO) • Employment in high value-added production segments (national statistics, ILO) • High-technology imports/exports (WDI)

Level 3: Final objectives/outcomes or impacts

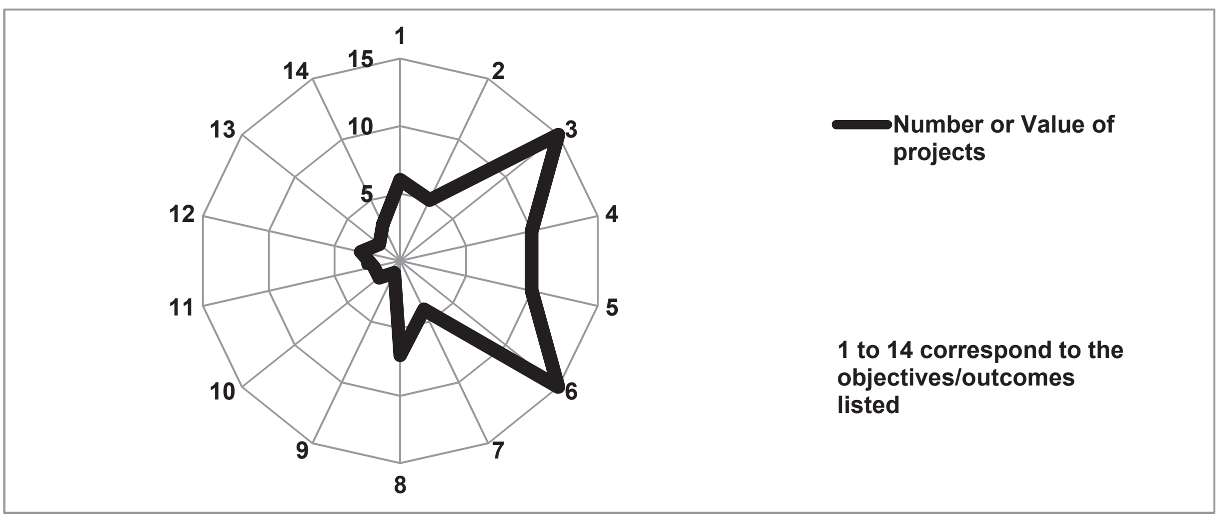
Objectives	Indicators	
	Qualitative	Quantitative
Increasing the value for trade (exports and imports): • **Direct and indirect job creations, including for women, youth, and other targeted groups (e.g. smallholder farmers, SMEs)** • **Level and predictability of income, including for women, youth, and other targeted groups/poverty alleviation** • **Economic and social upgrading, including health (e.g. hygiene standards, access to health benefits, prevention, etc.)** • **Diffusion of technology, knowledge, know-how, capital and others** • **Better and more sustainable use of resources**	• Direct and indirect economic and social progress • Diffusion of technology, knowledge, know-how, capital and others – number of beneficiaries of trainings, innovation indicators • Use of energy/water, agricultural productivity	• Direct/indirect job creations – by category at micro and macro levels (national statistics) • Income generated in trading sectors/entities – input/output tables, firms' profits (national statistics) • Formal v. informal jobs (national statistics) • Firms formally registered at start of operations (WDI) • Firms with female participation in ownership (WDI) • Years of experience of the top manager (ADI) • Health statistics in trading sectors/companies – e.g. business impact of HIV/AIDS tuberculosis or malaria (WEF 4.01, 4.04, 4.06) • Methane/nitrous oxide emissions, CO2/GHG/HFC/PFC/SF6 emissions, organic water pollutant emissions, fertilizer consumption, water pollution by sector (WDI) • Tourism satellite account (WTTC)

Annex B

Examples of graphic utilisation of the framework

Figure B.1 shows how the repartition of a given country's aid for trade projects (either in value or number) according to direct outcomes (i.e. a greater level of detail than the aid for trade usual categories).

Figure B.1 Repartition of projects per type of activity (direct outcomes)



Figures B.2 and B.3 show how the success rate of specific aid for trade activities with regard the different intermediate and final outcomes could be compared (mapping the indicators of success).

Figure B.2 Intermediate outcomes per type of activity

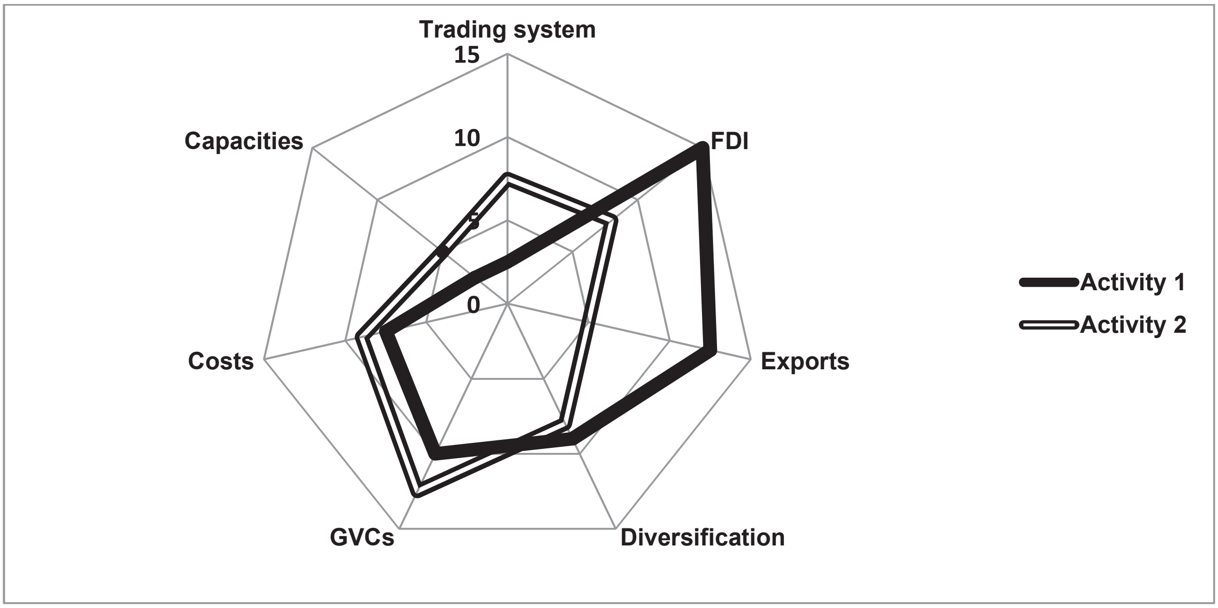
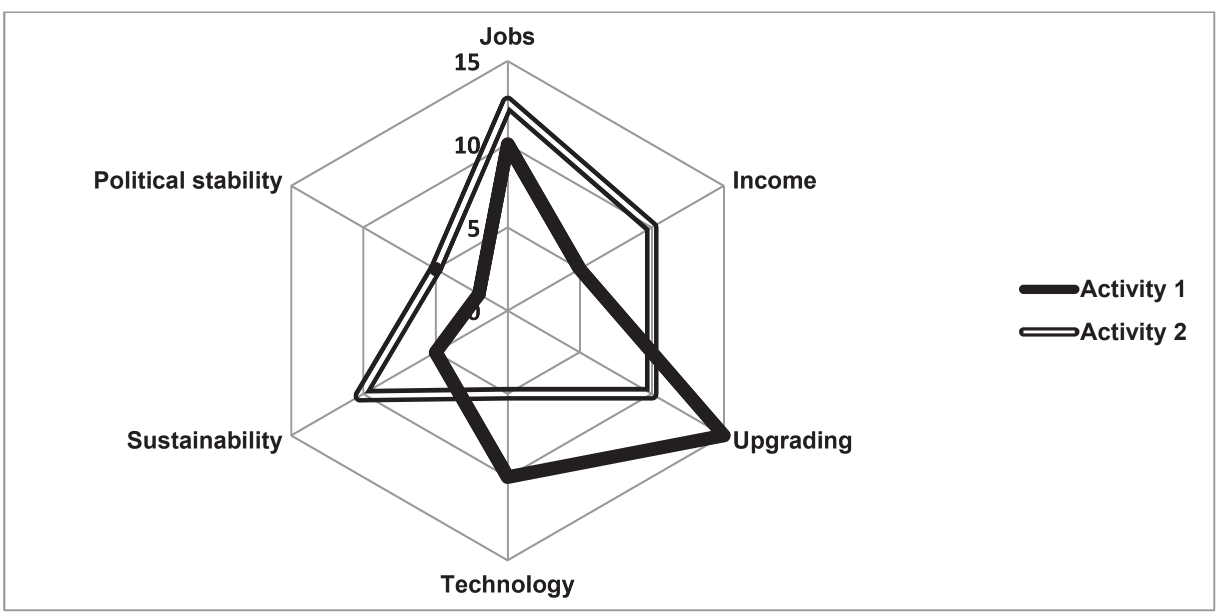


Figure B.3 Final outcomes per type of activity



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OECD PUBLISHING, 2, rue André-Pascal, 75775 PARIS CEDEX 16
(43 2013 15 1 P) ISBN 978-92-64-20153-8 – No. 60753 2013

The Development Dimension

Aid for Trade and Development Results

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Contents

Consult this publication on line at ***http://dx.doi.org/10.1787/9789264112537-en.***

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of the European Union

ISBN 978-92-64-20153-8
43 2013 15 1 P