

Unclassified

COM/DCD/TAD(2009)4/REV1

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

16-Oct-2009

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE
TRADE AND AGRICULTURE DIRECTORATE

MANAGING FOR RESULTS IN AID FOR TRADE

Scoping paper

Joint Meeting of the Development Assistance Committee and the Working Party of the Trade Committee on Aid for Trade

10 November 2009, OECD Conference Centre

This document is submitted for COMMENT to the joint meeting of the DAC and the TC/WP under item 3 of the draft agenda [COM/DCD/TAD/A(2009)3/PROV].

Recent changes in the global landscape of development assistance have led to a greater focus on transparency and accountability. The focus on outcomes and impacts makes management for results central to the entire Paris aid effectiveness agenda. As part of the joint DAC-TC 2009-2010 PWB on aid for trade [COM/DCD/TAD(2008)7], this scoping paper briefly describes the background and sets out the rationale for undertaking the work on identifying good practice in making aid for trade more results-oriented.

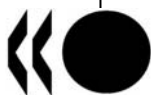
Note: Changes have been made in paragraphs 3, 17, 19, 28 and 36 to take account of the comments made by the MfDR team of the OECD.

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JT03272156

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EXECUTIVE SUMMARY

As part of the *performance assessment framework* segment of the joint DAC-TC 2009-2010 PWB [COM/DCD/TAD(2008)7], this scoping paper briefly describes the background and sets out the rationale for undertaking the work on emerging good practice in managing aid-for-trade results.

The growing focus on performance management in development cooperation since the 1990s and numerous international initiatives, including the Millennium Development Goals, underpinned the global push for results, leading to the establishment of the managing for development results (MfDR) framework. The 2005 Paris Declaration on Aid Effectiveness put the results agenda firmly in the centre of global efforts to improve aid effectiveness.

MfDR is a management strategy that is centred on strong notions of goal-orientedness, causality, and continuous improvement. Evaluation is an integral part of the MfDR process and provides important sources of performance information that can contribute to management learning and improved decision-making processes.

Given its large scope, putting a spotlight on results is particularly critical for the success of the Aid for Trade Initiative. The self-assessment results of the 2009 monitoring survey of the initiative indicate that more donors and partner countries are regularly monitoring the potential impact of aid for trade, and adopting results-oriented approaches. That said, despite this progress, the development of a genuine performance culture that is based on results remains a challenge.

A major challenge common to all is designing effective results chains that connect individual project objectives with more strategic, long-term development outcomes. This is often due to attribution problems, time lags, and lack of credible data.

Working closely with Members, representatives of international organisations, as well as the MfDR experts within OECD (e.g. Cluster E of the Working Party on Aid Effectiveness), this work stream aims to provide guidance on identifying good practice in managing for aid-for-trade results and outline the conditions for using the MfDR approaches in aid for trade. The final output will consist of a good practice paper setting out the concepts and the principles of MfDR applied to the cases of aid for trade, drawing upon and synthesising lessons learned based on case studies. It will also explore ways to strengthen the “aid for trade at a glance” country fact sheet (and its accompanying set of indicators) as a practical tool for improving, on a country-by-country basis, the links between demand, response, outcome and impact, hence help making aid-for-trade more results-oriented. The paper concludes by outlining a number of discussion issues concerning the approaches in taking the work forward.

MANAGING FOR RESULTS IN AID FOR TRADE

“Achieving development results – and openly accounting for them – must be at the heart of all we do. More than ever, citizens and taxpayers of all countries expect to see the tangible results of development efforts. We will be accountable to each other and to our respective parliaments and governing bodies for these outcomes.”

(Paragraph 10, *Accra Agenda for Action*, 2008)

1. Introduction

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

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

3. As part of the joint DAC-TC 2009-2010 PWB on aid for trade [COM/DCD/TAD(2008)7], this scoping paper briefly describes the background and sets out the rationale for undertaking the work on identifying good practices in making aid for trade more results-oriented. This work intends to examine to what extent aid-for-trade projects and programmes follow the results-based management approaches, as well as where gaps remain and ways in which they can be overcome. Furthermore, the regional dimension of aid for trade is increasingly gaining momentum as regional integration can play a critical role in strengthening the competitiveness of developing countries.² Donors also report a rising demand for regional aid for trade. Against this background, the work also plans to examine how countries and agencies integrate regional approaches into the results-based framework in regional approaches.

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

2. See the chapter on regional dimension in the OECD/WTO *Aid for Trade at a Glance 2009* report.

4. The remainder of this note is structured as follows. The next section discusses how the growing focus on performance management in international development led to MfDR. Sections 3, 4 and 5 spell out the concepts, principles and basic features of MfDR, including the role of evaluation. Sections 6 and 7 examine the relevance and challenges of applying MfDR approaches to aid for trade. Section 8 explores ways to integrate a results-based approach into the OECD/WTO monitoring framework by means of improving its new tool, the “aid-for-trade at a glance” country fact sheet and its performance indicators. The final section flags a number of issues for discussion on how to proceed with the work.

2. Focusing on results

5. The need for results is recognised as a key aspect of, and pre-requisite for, improved aid effectiveness. Governments and agencies in both developed and developing countries have become increasingly cognisant of the growing importance of accountability and performance management in development cooperation since the 1990s. In response to growing calls for more efficient and effective use of development resources towards poverty reduction and policy reform, combined with mounting requirements for accountability, public sector agencies and development institutions gradually introduced a range of tools to assess performance and manage for results.

6. The MDGs, adopted in 2000, encapsulated the global consensus that emerged during the preceding decade. The MDGs embodied the results-based approach to international development, containing a set of goals and measurable targets, with specific dates for achievement and performance indicators to gauge their progress. The MDGs “represented a new departure in international thinking about how to encourage the progress of developing countries, and indeed of societies at large, and was one to which all countries, both developed and developing, committed themselves”.³

7. A series of international events and meetings that followed the adoption of the MDGs (see Box 1) has also been pivotal in advocating the importance of results. Accordingly, development partners are under increasing pressure to demonstrate results and be accountable to their constituencies, as well as to each other (mutual accountability).

8. Transparency and mutual accountability for development results are essential to the political relationships that underpin development cooperation and more effective aid. Management for “development” results evolved as part of these ongoing global efforts to measure and incentivise development progress, and is an approach that forms the basis of making mutual accountability work.

Box 1. Milestones in the increased focus on managing for results

- **International Conference on Financing for Development in Monterrey** (March 2002): “Recipient and donor countries, as well as international institutions, should strive to make ODA more effective ... to intensify efforts to... improve ODA targeting to the poor, coordination of aid and measurement of results.” (Para. 43, *Monterrey Consensus*)
- **International Roundtable on Measuring, Monitoring, and Managing for Results in Washington DC** (June 2002): The Roundtable took stock of ongoing efforts in countries and agencies to manage for results, and discussed ways for development agencies to develop results-focused corporate cultures and incentives, as well as the actions needed to build demand for and increase capacity to adopt results-based approaches in developing countries.
- **Rome High Level Forum on Harmonisation** (February 2003): “... we can simplify and harmonise our

3. Manning, R. (2009), *Using indicators to encourage development: Lessons from the Millennium Development Goals*, DIIS Report 2009:01, Danish Institute for International Studies, Copenhagen.

requirements and reduce their associated costs, while improving fiduciary oversight and public accountability and enhancing the focus on concrete development results.” (Para. 4, *Rome Declaration on Harmonisation*)

- **Second International Roundtable on Managing for Development Results in Marrakech** (February 2004): “We recognize that our development agencies, within their different mandates and modalities for providing country support, need to enhance their organizational focus on results. This means that we need to align cooperation programs with desired country results, define the expected contribution of our support to country outcomes, and rely on—and strengthen—countries’ monitoring and evaluation systems to track progress and assess outcomes.” (*Joint Marrakech Memorandum*)
- **Paris High Level Forum on Aid Effectiveness** (March 2005): “Partner countries and donors jointly commit to: Work together in a participatory approach to strengthen country capacities and demand for results based management.” (Managing for Results, Para. 46, *Paris Declaration on Aid Effectiveness*)
- **Third Roundtable on Managing for Development Results in Hanoi** (February 2007): The Hanoi Roundtable reaffirmed the importance of the Paris Declaration on Aid Effectiveness, and called for stronger action to improve the number and quality of development results achieved with countries’ own public funds and with international aid.
- **Third High Level Forum on Aid Effectiveness in Accra** (September 2008): “We will be judged by the impacts that our collective efforts have on the lives of poor people. We recognise that greater transparency and accountability for the use of development resources – domestic as well as external – are powerful drivers of progress.” (Para. 22, *Accra Agenda for Action*)

3. What is managing for development results

9. The 2005 High-Level Forum on Aid Effectiveness in Paris placed results management in development cooperation firmly at the centre of the global aid effectiveness debate. Partner countries, multilateral and bilateral donors all committed themselves to improve their management of resources and focus on the actual outcome and impact of their activities (*i.e.* development results), not the inputs used or physical outputs produced, guided by mutual accountability. Specifically, they adopted a set of actions in the Paris Declaration to strengthen how they manage for development results. More recently, the Accra Agenda for Action, adopted at the September 2008 Third High Level Forum on Aid Effectiveness, cites achieving increased accountability for development results as one of three key requirements for delivering on the aid effectiveness agenda.

10. MfDR entails tracking progress and making decisions on the basis of solid evidence in the pursuit of enduring development results and impacts. Whereas results-based management approaches mostly focus on accountability only, MfDR goes further, underpinning and cutting across the Paris Declaration’s key pillars of ownership, alignment, and harmonisation.

11. It is a management approach that involves practical tools for strategic planning, risk management, progress monitoring and outcome evaluation. The table in Annex 1 lists examples of tools used to measure progress toward outcomes, report on them, and use the lessons learned to continuously improve performance. In partner countries and donor agencies, MfDR delineates a shift from focusing on inputs and immediate outputs to performance and achievement of demonstrable results and long-term impacts. It also entails knowledge sharing to enhance mutual accountability, and for joint learning in particular, of transferable lessons where common experiences can be shared.

12. MfDR as a concept centres on holding all development partners accountable for delivering development results (*i.e.* the outcome or impact of a development intervention) to the constituencies they seek to assist. It is built on the notions of goal-orientedness, causality, and continuous improvement, and is

guided by the following five core principles which reflect a broad consensus about what constitutes sound performance management.⁴

- ***Principle 1: Focus the dialogue on results at all phases—from strategic planning through implementation to completion and beyond—of the development process.*** In managing for results, it is important to have a coherent approach: (a) *ex ante*, at the strategy and planning phase, when expected results are articulated and their likely costs and expected impact on poverty reduction and development are analysed; (b) during programme/project implementation, when monitoring is needed to assess progress and identify necessary midcourse corrections; (c) *ex post*, upon completion, when the results are assessed against objectives and other factors, and (d) also when sufficient time has passed to be able to assess sustainability.
- ***Principle 2: Align actual programming, monitoring, and evaluation activities with the agreed expected results.*** When partner countries, development agencies and other stakeholders focus on expected results and associated results indicators, they can better align actual programming (including financial support), monitoring, and evaluation activities with agreed results objectives. Partner country priorities and constraints must remain the starting point for development agencies' support strategies, and the development agencies' planned operations, analytic support, and technical assistance must be consistent with the partner country's sound development strategy.
- ***Principle 3: Keep the results reporting system as simple, cost-effective, and user-friendly as possible.*** The indicator framework for managing for results should, to the extent possible, (a) be simple; (b) rely on country systems, supporting capacity building to the maximum extent; (c) be geared to learning as well as accountability functions; and (d) be harmonised to minimise system transactions costs and facilitate comparative analysis. The partner country and development agencies should consult on a short list of key indicators, preferably from a standardised list, for monitoring progress and assessing achievement of results. It is important to take into consideration the chain of expected results. Managing for results aims at improved efficiency; therefore, it is essential to be selective (and not to try to measure everything) and realistic (in terms of feasibility and cost) in choosing indicators. The results reporting system should remain pragmatic; start with whatever baseline data is available, including proxies; use meaningful qualitative indicators to complement quantitative indicators, or to compensate if quantitative indicators are not available; and include support for cost-efficient measures to improve data availability and country or project monitoring systems. The end goal should be a sound results-based management system that includes specific, quantifiable indicators connected to a timeline with baseline data and periodic assessments of project and programme performance against defined targets.
- ***Principle 4: Manage for, not by, results by arranging resources to achieve outcomes.*** Managing for results involves a change in mindset—from starting with the planned inputs and actions and then analysing their likely outcomes and impacts, *to* focusing on the desired outcomes and impacts (for example, on trade expansion) and then identifying what inputs and actions are needed to get there. It also involves establishing baselines and identifying upfront performance targets and indicators for assessing progress during implementation and on programme completion. Missing key targets should be a signal for partners to analyse together whether/why things have gone off track and how they could be brought back on track, if necessary. It should not be a trigger for the rigid application of penalty rules.

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

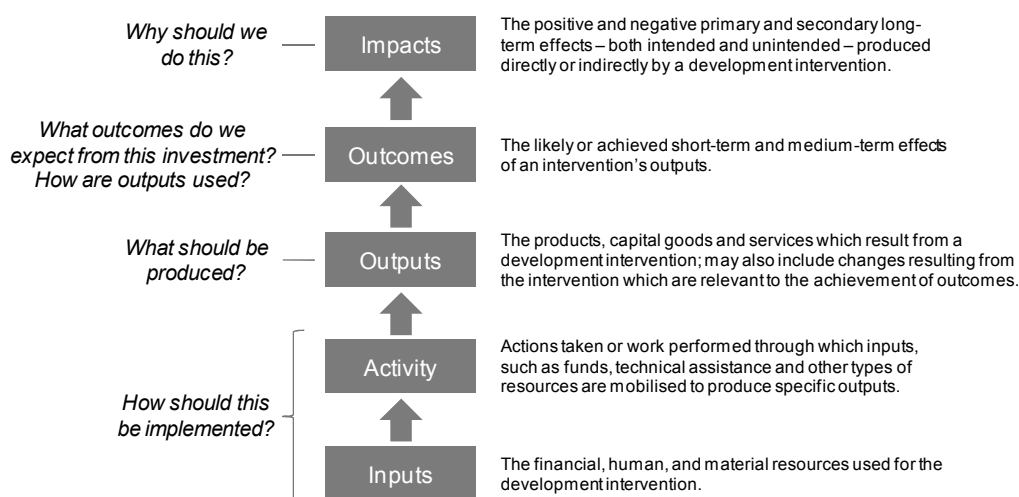
- **Principle 5: Use results information for management learning and decision-making, as well as for reporting and accountability.** Information on results should be publicly available. While one of the goals of managing for results is to use results monitoring information for reporting and accountability (for both partner countries and development agencies), this may potentially prompt behaviours that are overly risk-averse. Two approaches can mitigate this possibility: (a) using reports on results in a positive way for management learning and decision-making, taking into account lessons for better future action; and (b) when using reports for accountability purposes, setting performance measures that reflect the level of responsibility of the actor (whether a country, development agency, ministry, institution, NGO, and other stakeholders) and results that the actor can reasonably achieve; this approach recognises that even with good performance in managing for results, external factors may hinder the achievement of expected outcomes.

4. How to manage for development results

13. Periodically measuring results provides the basis for correction and adjustment and enables governments and donor agencies to better guide their performance to keep projects/programmes on track and to maximise their outcomes. This process is often referred to as “managing for results” that is centred on a strong notion of causality. Cause-and-effect relationships between development interventions and the intended results are usually depicted using a “results chain”.

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

Figure 1. Results chain in results-based management



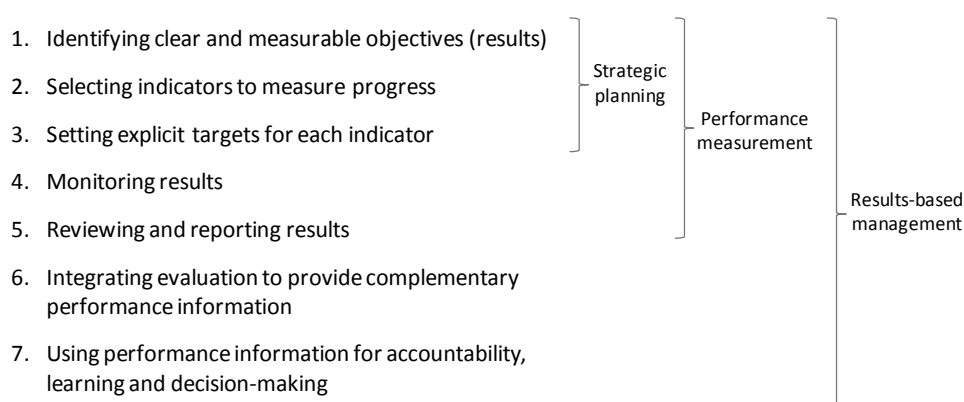
Source : Adapted from *Overview of MfDR Concepts: Glossary* [http://www.mfdr.org/About/MfDR_Glossary.pdf]

15. The use of the results chain, in turn, implies that an effective performance assessment can only take place if clear objectives and verifiable targets at output, outcome and impact level have been defined at the outset of the programme. The World Bank's Trade and Transport Facilitation Programme in Southeast Europe (TTFSE), for example, successfully achieved its objective of reducing the non-tariff costs of trade and transport at selected border crossings in eight countries through, *inter alia*, setting up across the pilot sites a transparent, comparative public performance monitoring system, using a set of

clearly defined, standardised performance indicators.⁵ The programme found that measuring the progress through indicators was vital for successful monitoring and implementation of the programme (see Annex 4). Evidently, in order to track results, this approach places greater emphasis on setting out clear and appropriate indicators, a proper baseline, mechanisms to collect information, and a fully integrated results chain to monitor development and assess what works and what does not work (*i.e.* the development of a performance assessment framework).

16. This also lies at the core of any results-based management approach. Figure 2 lists the key phases or steps of results-based management.⁶ The first three steps generally relate to a results-oriented planning approach (“strategic planning”). The first five steps, together, are usually included in the concept of “performance measurement”. All seven steps combined are essential to an effective results-based management system.

Figure 2. Seven phases of results-based management



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

5. The role of evaluation

18. Within the MfDR framework, the performance management and reporting cycle has five core elements: i) setting concrete goals and agreeing on targets and strategies; ii) linking policy measures and budgets (*i.e.* performance-based budgets⁷); iii) monitoring and evaluation (M&E); iv) reporting on performance to the public for accountability; and v) continuous feedback of performance information into

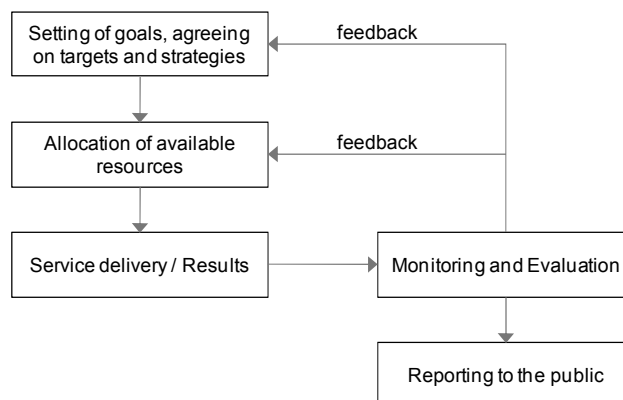
5. OECD-World Bank (2006), Sourcebook: Emerging Good Practices in Managing for Development Results, First Edition (<http://www.mfdr.org/sourcebook>)

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

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

decision-making (readjustment of policy measures and resource allocation). Figure 3 sets out a simple graphical representation of the MfDR cycle.

Figure 3. MfDR cycle



Source : JV on MfDR

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

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

21. The OECD paper on *How to Evaluate Aid for Trade: A Scoping Note* [COM/DCD/TAD(2009)3] provides a more nuanced discussion on different approaches to evaluating aid for trade, including the conceptual challenges, in particular the linkages in the results chains, the attribution problem, and the sequencing of different projects and programmes.

6. Managing for aid-for-trade results

22. Considering its large scope, putting a spotlight on results is particularly critical for the success of the Aid for Trade Initiative. Stakeholders will have a clearer sense of the impact of aid-for-trade efforts. The ability to demonstrate positive results can, in turn, help garner greater political and public support

within donor and partner countries for more and better aid for trade. Indeed, one of the key objectives for the way forward concluded by the WTO Director-General Pascal Lamy at the July 2009 Global Review was the continuation of the evaluation work with specific focus on evaluating the “impact” of aid for trade.

23. The self-assessment results of the 2009 monitoring survey of the Aid for Trade Initiative indicate that more partner countries are accepting the tenets of mutual accountability and results-based management, and that donors too are responding by increasingly coordinating and aligning their aid-for-trade efforts. Moreover, the same survey found that most of the partner countries have put in place, or are working towards setting up mechanisms to discuss the results (outcomes and impacts) of trade-related programmes.⁸

24. Two-thirds of partner countries reported that they regularly monitored and evaluated their trade-related programmes, and frequently used donors or joint donor-partner country arrangements (including sector-wide approaches). Interestingly, low-income countries tended to show higher rates of monitoring and evaluation than middle-income countries. While nine out of 28 LDCs that responded said they rarely or never monitored, their situation should improve once the Enhanced Integrated Framework’s new monitoring and evaluation framework becomes operational. Furthermore, almost all partner countries regularly engaged in dialogues with relevant stakeholders about the formulation and implementation of their trade strategies. In terms of implementation, partner countries underscored the need for strengthened capacity building, improved ownership, and more predictable donor funding, all of which play a key role in determining the effectiveness (thus, results) of aid for trade.⁹

25. The second aid-for-trade monitoring survey also revealed that more donor agencies were adopting results-oriented approaches (mostly at project-level). According to the survey results, for instance, over 40% of bilateral and multilateral donors that responded said they monitor the potential trade impact of their aid programmes/projects (OECD/WTO, 2009). Effectiveness or impact is often measured against specific indicators¹⁰ defined according to a project/programme’s set objectives.¹¹

26. Moreover, many donors are taking steps to make their respective monitoring and evaluation frameworks more results-oriented. Finland and Sweden, for example, highlighted their plans to strengthen their monitoring and evaluation systems by developing specific indicators, covering also cross-cutting themes such as gender. Germany reported that it was looking at ways to design a mechanism, including impact chains and indicators, for monitoring the implementation of EPAs. Switzerland, in cooperation with UNIDO, was developing a standard logical framework for each of its activity categories (e.g. export promotion, competition and consumer protection policy) as part of its effort to strengthen results-based management. All of these donor efforts are aligned with and contribute towards the WTO Aid for Trade Task Force’s emphasis on “the need for concrete and visible results on the ground”.

8. OECD/WTO (2009), *Aid for Trade at a Glance 2009: Maintaining Momentum*.

9. Ibid.

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

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

7. Challenges: from principles to practice

27. Despite all this momentum and apparently widespread acceptance, however, the development of a genuine performance culture that is based on results remains a challenge, not only for partner country governments, but also for donor agencies. Donors concede in their self-assessments that identifying and measuring trade-related outcomes is a real challenge (OECD/WTO, 2009). In partner countries, despite the positive results illustrated above, there is still a need to raise awareness about the importance of monitoring and evaluation, both to assess the impact of aid for trade, and to justify continued support of the initiative (OECD/WTO, 2009). The results of the 2008 monitoring survey of the Paris Declaration also indicate that while some progress has been made with respect to the number of countries establishing sound results-based monitoring frameworks¹², the pace of progress, however, is still insufficient.¹³

28. Furthermore, MfDR needs to be a country-led process so that it promotes, not weakens, local structures of accountability, and that it leads to a sustainable improvement in development outcomes through country-owned systems that donors and partners are jointly committed to strengthening and using. Country-owned development is after all the cornerstone of the Paris Declaration.

29. A major challenge common to all is designing effective results chains or logical frameworks that connect individual project objectives with more strategic, long-term development outcomes and impacts. This is often caused by attribution problems, significant time lapse (between the design of the intervention, its implementation and its impact), and lack of credible data and difficulties in assessing often intangible capacities. In the case of aid for trade, this problem is compounded further by the large scope and differing objectives of the initiative. It is difficult to identify clear and verifiable indicators for measuring the effectiveness and impact of aid-for-trade programmes. The European Commission, for example, stated in its self-assessment that monitoring and evaluating the trade impacts of specific aid programmes is unfeasible given the multitudes of external factors that influence trade (OECD/WTO, 2009).

30. One approach to overcome these constraints would be to identify and adopt a core list of commonly agreed indicators for cross-country comparability, and to link them to subsets of country-specific indicators (see the next section). Where data are hard to come by, proxy indicators could be used. This approach, in turn, would permit countries to observe and compare strengths, weaknesses, and gaps across donors and track progress over time, and would help to identify specific actions that can improve the impact of aid for trade. Furthermore, conducting joint evaluations can also help alleviate the administrative burden on the partner countries and determine the collective impact of donors' efforts (especially vis-à-vis new modalities such as general budget support and sector-wide approaches), hence overcoming to some degree the attribution problem individual donors and agencies face (OECD, 2007).

8. Using indicators to encourage effective aid for trade

31. The logical framework for the aid-for-trade assessment outlined in the OECD-WTO *Aid for Trade at a Glance 2009* adopts a results-based management approach to monitoring, with the objective of tracking progress (since the advent of the initiative) and demonstrating tangible impacts, in particular with respect to the implementation of aid-for-trade strategies, as well as the effectiveness and the results that aid for trade was producing.

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

13. OECD (2008), *2008 Survey on Monitoring the Paris Declaration: Making Aid More Effective by 2010*.

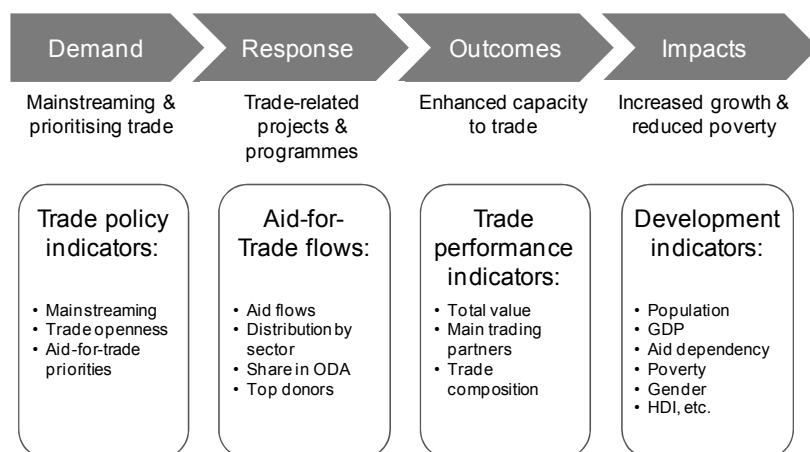
32. The framework to assess whether progress is being made towards the desired aid-for-trade goals consists of the following four elements that were identified by the WTO Aid for Trade Task Force. It seeks to follow the path from demand to response, through outcomes of priority programmes, and finally to impact – lasting development results, *e.g.* MDGs.

- Mainstreaming and prioritising trade (*i.e.* ‘demand’);
- Trade-related projects and programmes (*i.e.* response);
- Enhanced capacity to trade (*i.e.* outcome); and,
- Increased growth and reduced poverty (*i.e.* impact).

33. Furthermore, instead of coming up with an elaborate and cumbersome system, the focus was on developing a relatively simple system with a focused set of key metrics or performance indicators (see Annex 2). The practical application of this results framework led to the development of the ‘**aid-for-trade at a glance**’ country fact sheet.

34. The country fact sheet is comprised of four main elements of the logical framework underlying the Aid for Trade Initiative (Figure 4). It is a tool meant to enable cross-country comparisons at a glance and stimulate a national dialogue amongst local stakeholders on how to improve trade performance by focusing attention on aid-for-trade constraints and needs (*i.e.* priorities). A local dialogue would promote greater accountability among stakeholders, and at the same time, facilitate partner country governments in setting clear aid-for-trade priorities, as well as developing more precise country- and programme-specific performance indicators. In the presence of clear priorities, donor agencies, in turn, are able to respond appropriately to demand-driven requests. Therefore, the fact sheet would in effect be instrumental in reinforcing the MfDR approach (and achieving aid effectiveness) to aid for trade through creating incentives to improve the coherence of aid for trade with overall development strategies around which donors should align their support.

Figure 4. Logical monitoring framework for aid-for-trade assessment



35. As part of the monitoring exercise, country fact sheets were prepared for the 85 partner countries that responded to the partner country questionnaire (OECD/WTO, 2009). The output was well received at the July Global Review in Geneva this year. The country fact sheet, however, should be seen as an “evolving” tool. It does not provide all the answers for how to do MfDR in aid for trade, nor does it claim to be able to. But it is a starting point to help countries to discuss where gaps remain in making aid for trade more results-oriented and ways in which to overcome them. This tool aims to contribute to a broader effort of making aid for trade more effective.

36. Notwithstanding the usual – but nevertheless very important – caveats (such as lack of data, choice of proxies, attribution challenges and time lags), it should be further strengthened to improve on a country-by-country basis the links between the four elements of the logical framework. For instance, the inclusion of risk analysis, such as the one used in standard logical frameworks for projects, would help explain the underlying assumptions throughout the results chain and the logical flow from one level to the next, addressing the problem of attribution. It is the intention of the Secretariat to also explore this aspect as part of the overall work stream on managing for aid-for-trade results.

9. Work plan

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

38. This work stream will identify emerging good practices in making aid for trade more results-oriented and show how the MfDR approach can be applied in practice in partner countries and donor agencies. The output will consist of **a good practice paper** drawing upon and synthesising lessons learned in select sectors of aid for trade. In particular, the work will attempt to outline the conditions for partner countries and donors to use MfDR for making aid for trade more results-oriented and the measures needed to be undertaken to enable development results. This, in turn, will contribute towards ongoing efforts to foster a global partnership on managing for results and to define how aid for trade is expected to contribute to them.

39. This work will be undertaken in close cooperation with Members, representatives of international organizations, and MfDR experts within OECD. It is proposed to take the work forward as follows.

- The Secretariat will first look for and collect good practice examples (in existing case studies and aid evaluation reports) in the four aid-for-trade programme categories that partner countries identified as most effective in their self-assessments, namely: “trade policy analysis, negotiation and implementation”; “trade facilitation”; “competitiveness”; and “export diversification”. What is ultimately envisaged is to develop a mini-Sourcebook on emerging good practice in MfDR in aid for trade. As an illustration of the type of good practice that we hope to collect, the example of the World Bank’s TTFSE programme taken from the First edition OECD-World Bank MfDR Sourcebook is attached to this paper for reference (Annex 3).
- The Secretariat will also explore ways to integrate a results-based approach into aid-for-trade evaluation [COM/DCD/TAD(2009)3] as recommended by the WTO Task Force. In particular, as mentioned in the preceding section, the work will explore ways to improve the country fact sheet (and its performance indicators) in a way that strengthens its usefulness as a practical tool for improving, on a country-by-country basis, the links between demand, response, outcomes of priority programmes and their impact on trade performance. This will require the identification of appropriate indicators to measure impact. Therefore, the two work streams – evaluation and MfDR – should connect up in effectively delivering this part of the work programme.
- A progress report will be submitted to the next joint meeting of the DAC and the TC/WP planned for April 2010. The progress report, building on this note, will aim to provide preliminary indications on how the MfDR concepts and principles are being applied in practice to the cases of aid for trade, drawing upon and synthesising lessons learned based on collected case studies.

- By the fourth quarter of 2010, a final good practice paper will be presented to the DAC and the TC/WP for final approval. This work should also inform the design of MfDR case studies for inclusion in the next edition of the OECD/WTO *Aid for Trade at a Glance* report.

10. Issues for discussion

40. This note set out the background and the rationale for carrying out the work on emerging good practice in MfDR in aid for trade. Members are invited to comment and share their views on the approaches proposed in this document, and in particular:

1. *What are the criteria for identifying good practice in managing for results in aid for trade?*
2. *Do members have examples of good practice (which fit the scheme in this paper) in applying MfDR approaches to aid for trade for inclusion in the good practice paper?*
3. *How can we integrate regional approaches into the results-based framework?*
4. *How can/should we develop the country fact sheet to contribute to the MfDR exercise? How could we better demonstrate positive linkages between inputs and outcomes/impacts through aid-for-trade country fact sheet?*

Annex 1. Examples of tools used to manage for results in sector programmes and projects

MfDR Principle	Examples of tools used	Why these are important
Focus the dialogue on results at all phases of the development process	• Sector development or policy reform frameworks • Project results frameworks • Multi-stakeholder planning workshops • Inter-agency coordination mechanisms • Logic models (integrated in all of the above)	Results-based tools are used jointly by development agencies and partner countries align donor support for intermediary results with national development outcomes during the planning process. Results-based tools act as reference points for ongoing implementation and measurement.
Align programming, monitoring, and evaluation with results	• Annual work plans and budgets • Financial management systems	Results-based operational plans, budgets, and financial mechanisms at the sector or project level describe clearly how inputs will support intermediary results leading to country outcomes.
Keep results measurement and reporting as simple, cost-effective, and user-friendly as possible	• Sector-wide and/or project M&E systems, including MIS • Sector-wide and/or project M&E operational plans and guides • Performance measurement frameworks • Sector-wide performance monitoring strategy • Annual quality control reviews for service delivery to clients/beneficiaries • Data source assessment/review	M&E system, plans, frameworks and instruments describe the indicators for intermediary results at the sector and project levels, describe methods for data collection and analysis, assign M&E roles and responsibilities, and provide standardised methods for assessing progress.
Manage for, not by, results by arranging resources to achieve outcomes	• Special studies (thematic or value-for-money) and policy reviews • External and internal monitoring reports • Mid-term social impact assessments and/or sector/thematic outcome evaluations • Technical milestones linked to financial disbursement schedules • Sector programme reviews • Performance and financial audits • 'Scoreboards' and periodic activity reports	Studies, reviews assessments, and monitoring all investigate issues related to results achievement, and suggest means of adjusting implementation strategies as required at either the sector-wide or project levels.
Use results information for learning and decision-making as well as reporting and accountability	• Annual sector-wide or project performance reports • Stakeholder consultations • Analysis of evaluations	Reports and consultations provide government officials, sector ministries, development agencies, civil society, grassroots beneficiaries, and other key stakeholders with performance information on progress toward intermediary results and country outcomes at the sector and project level.

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

Annex 2. Country fact sheet trade programme indicators

Aid-for-trade priorities	Trade programme indicators
Trade policy analysis, negotiation and implementation	Simple average MFN applied tariff, calculated as the simple average of the applied tariff rates that a country applies. The lower the percentage rate the easier it is for the exporter to enter the considered market. (Source: ITC)
WTO accession costs	This indicator is a combination of two pieces of information on the status of the country in the access process: i) whether the trade policy memorandum has been submitted to the WTO Accession Working Group; and ii) whether the draft working party report has been submitted to the WTO Accession Working Group. (Source: WTO Accession in Progress)
Trade facilitation	The number of days it takes to export and import to and from a country is a widely-recognised trade facilitation indicator. (Source: World Bank-Doing Business)
Network infrastructure	The number of main fixed telephone lines and mobile cellular subscribers give an indication of the availability of suitable network infrastructure. (Source: ITU ICT Statistics Database) Electric power consumption measures the production of power plants and combined heat and power plants less transmission, distribution, and transformation losses and own use by heat and power plants. (Source: World Bank-WDI)
Cross-border infrastructure	The airport density index is the number of airports per country which were the origin point for at least one scheduled passenger flight in 2007. The lowest country score is 0.1 and the highest country score is 28.9. (Source: WEF-Global Enabling Trade Report 2009)
Other transport infrastructure	The first indicator measures paved roads (i.e. those surfaced with crushed stone [macadam] and hydrocarbon binder or bituminised agents, with concrete, or with cobblestones) as a percentage of all the country's roads, measured in length. (Source: World Bank-WDI) The quality of railroads and passenger air transport in a country using scores from 1 to 7 (1=under-developed, 7=extensive and efficient by international standards). (Source: WEF-Global Enabling Trade Report 2009)
Competitiveness	For the Trade Performance Index, the higher the differential between a country's export growth rate and the world export growth rate, the higher the gains in world market share. The current index is based on five elements: i) net exports; ii) export per capita; iii) share in world markets; iv) product diversification; and v) market diversification. (Source: ITC)
Export diversification	Product diversification represents the number of exported product (related to commodities nomenclature) to the world by exporter country at equal size. It is the number of products which would give the same index value (or output) that the given country exporter would reach if its export basket had been uniformly restricted at each of those products. (Source: ITC Trade Competitive Map)
Value chains	<i>No suitable indicator could be identified for this priority.</i>
Regional integration	Regional integration is measured by the number of regional trade agreements (RTAs) that a partner country has notified to the WTO and enforced. (Source: WTO RTA database, 30 April 2009) Naturally, the country may also be involved in a number of agreements that have not been notified to the WTO, but the WTO database provides the best information available. Data is provided for years 2002, 2005, and 2008.
Adjustment costs	<i>Adjustment costs are not easily assessed, and there is no available indicator that accurately measures this complex issue.</i>

Source : OECD-WTO Aid for Trade at a Glance 2009

Annex 3. An example of a good practice in applying MfDR approach to trade-related assistance

Southeast Europe: Improving the Climate for Trade and Transport

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Executive Summary

High transaction costs and uncertainties surrounding trade have substantially limited economic development in Southeast Europe. The Trade and Transport Facilitation Program in Southeast Europe (TTFSE) has adopted a regional results-based approach to reducing the nontariff barriers that impede the flow of goods. The program has produced clear benefits – border crossings have been made far more efficient; trade has been facilitated; corruption at crossing points has been greatly reduced; customs revenue crucial to national budgets has improved. TTFSE focused primarily on a single mode (road transport) and was implemented in pilot sites at key border crossings in six (and then eight) countries. The encouraging results, lessons learned, and best practices of the TTFSE program provide a solid basis for a replicable, scalable model to facilitate transport and expand regional trade. A multimodal approach to pilot site selection is likely to be used in scaling up and replicating the program elsewhere.

The Need for Reform in Trade and Transport in Southeast Europe

High transportation costs and uncertainties in trade seriously constrained the economic development of Southeast Europe. Delays at border-crossing points and informal demands for “payments” were all too common. Strengthening the region’s competitiveness in the global market environment was essential, yet the impediments to border crossing created a disincentive to foreign investment, reducing opportunities for local firms, limiting employment opportunities, and raising the transaction costs for imports and exports. The lack of economic growth particularly penalized the poor through limited job opportunities, high prices of imported goods, and high costs for potential exports. With the creation of the new Balkan states, border problems proliferated.

Development Objectives of the TTFSE

The Trade and Transport Facilitation Program in Southeast Europe (TTFSE) was developed in order to reduce the nontariff costs of trade and transport and to fight smuggling and corruption at borders – while increasing revenue from trade. The challenge was no less than a transformation of the role of the border-crossing agency – from an obstacle to a facilitator of trade.

TTFSE approached these development objectives through five means. First, customs reform was supported. Second, interaction, cooperation, and communication were strengthened between border-control agencies and the trading community. Third, information and training were provided to the private sector. Fourth, financing was provided for infrastructure and

new equipment at selected border crossings. Finally, customs procedures, information technology, and human resource management were integrated.

Program Description

TTFSE is a regional partnership involving the World Bank, the European Union, the UN Economic Commission for Europe (UNECE), and the Southeast European Cooperative Initiative (SECI). Eight client countries are included – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania, and Serbia and Montenegro. The partners focus on border issues and procedural reforms that facilitate trade. Under the program, transport is monitored according to clearly defined, standardized performance indicators at selected pilot sites in each country. The monitoring of performance indicators provides transparent documentation of progress.

By facilitating transport, the program strengthens a public-private partnership to improve trade. National “pro-committees” were established to improve communication between those who trade and the many transportation operators – providing, in effect, a form of institutional checks and balances. The committees help to monitor government regulation and service provision. TTFSE plays an important complementary role by making information more accessible – for example, through a regional Web site on matters that range from government legislation and new regulation to hours of operation at particular border crossings. Complementary professional training programs have been developed for certification of traders and operators.



The total cost of TTFSE was US\$123 million, of which US\$80 million was financed by loans and credits from the World Bank. Local counterpart funds and grants were provided from the United States, Austria, the Netherlands, France, and Norway. National sub-projects ranged in size from US\$9 million in Moldova to US\$27 million in Romania. Implementation began in late 2000, with subproject implementation averaging three to four years.

TTFSE has supplemented – though not replaced – other institutional mechanisms to improve communications among border control agencies. This includes a regional steering committee to which all countries participating in the program belong. Activity occurs not only at the border-crossing points, but at their agency headquarters and across the region.

As part of the program, participating countries agreed to adopt and collect data on two types of performance indicators – the performance and the efficiency of customs administrations. An Excel workbook was prepared to compile the data, both at a regional level and at pilot sites. Indicators were laid out in a methodology manual. Processing times at pilot sites were usually measured on a monthly basis, and overall customs performance was measured annually. The national customs administration of each country measured performance at its pilot sites. Consultants provided support. Data on the border crossing and clearance times – as experienced by users at the TTFSE pilot sites – are available from 1999 onward.

Key Elements in TTFSE's Approach

Regional participation. Undoing trade constraints meant that TTFSE projects had to be regionally linked. Participating countries needed to cooperate in order to resolve shared problems. A regional steering committee was created to assist in collaboration.

Reform, not provision of infrastructure. The TTFSE projects focused on customs reforms and integrated solutions that would increase the productivity of border agencies by faster processing time at border crossings and inland terminals, and they promoted transparency. The specifics of the reform varied from country to country. Since reform is an iterative process, TTFSE provided a dynamic definition of needs. It required periodic reviews of the results achieved and flagged the need for changes. Some border-crossing points needed to improve the design and scale of infrastructure in order to implement reform, yet in no case was infrastructure expanded without reform. Projects that included physical improvement were supported only after critical reform measures had been sufficiently achieved. This provided a solid incentive to move first on the policy front.

Duplication avoided by building upon structures, initiatives, and institutions already in place and working. Certain reforms were under way well before TTFSE was launched. TTFSE sought to build upon and reinforce existing national institutions rather than create new ones. This strategy included incorporating chambers of commerce and local pro-committees into project activities. Each project took into account ongoing reforms, reinforcing efforts by the European Union, international organizations, and other donors.

A participatory approach. TTFSE was designed and implemented with participatory methodology. All projects needed to be endorsed and owned by stakeholders that included government agencies, freight forwarders, customs brokers, transport operators, traders, end users, and other beneficiaries. Ownership through participation proved to be a strong driver of results. In addition to consultations during the design phase, mechanisms for recurrent user input were built into the monitoring and evaluation of each project.

Pilot-site starting points. Each TTFSE project first identified pilot sites for the application of reform. These included border-crossing points and inland clearance terminals. Reform goals were monitored through performance indicators that each pilot site agreed to. The experience at pilot sites created models for further replication. In Bulgaria, for example, the reform measures tested and replicated from the pilot sites will cover about half of all traffic coming into the country by the end of 2005.

A different model for the Caucasus and Central Asian regions. It should be noted that reform models adopted in the Caucasus and Central Asian regions are somewhat different from that of TTFSE. Reform in the Caucasus region started with policy dialogue and applied the trade facilitation toolkit launched under the Global Facilitation Partnership for Transportation and Trade (www.gfptt.org). Trade facilitation groups, such as the pro-committees in the Balkan countries, were embryonic, so time was invested in establishing such groups. A coordinating committee was in place for the Transport Corridor Europe, Caucasus, and Central Europe (TRACECA). That committee was used, rather than a new regional steering committee; and a multimodal, multi-agency approach is under way. Variations are evolving in Central Asia, where replication of the TTFSE provides a good foundation for a region-specific program that will achieve long-lasting results.

Adaptations in Implementation

Taking political context into account. For reform to work, commitment at the highest level of government was necessary. The rate and extent of reform in each TTFSE country depended upon the perceived and actual extent of such political commitment. In some cases, a client agency's attention to the reform process was diverted by political issues over which it had no control. Considerations of this sort had to be factored into the analysis of each project. With scaling up as a goal, the weight of such risk increases. So mitigation measures needed to be anticipated at the outset and undertaken as needed.

Maintaining consistency with poverty reduction strategies. Consistency with ongoing poverty reduction strategies was ensured by linking TTFSE projects to the World Bank's country assistance strategy for respective countries. In presenting this linkage to national stakeholders, a critical point was emphasized – that the TTFSE program was not aimed at infrastructure development, but rather at reforming transport and trade to improve the business investment climate and therefore to benefit the poor.

Changing scale. Three changes in scale occurred in the TTFSE program design. First, the range of objectives was scaled back. Second, reforms began by focusing on scalable pilot sites rather than country-level initiatives. Third, the number of countries in the program increased from six to eight. The first two of these changes occurred during the design phase; the latter occurred as the first six country cases were being implemented.

Adjusting to interagency competition. Customs administration was TTFSE's primary beneficiary agency in most countries. Because access to loans and credits was restricted to customs, other border-crossing agencies were slower to appreciate the benefits of collaboration, and were more resistant to change. Interagency competition constrained the pace of implementation.

Persuading skeptics to take ownership. Ownership was a complex matter with so wide a range of stakeholders. Typically, the private sector was highly dubious about the integrity of customs administration. Although transport operators pressed hard and early for a program such as TTFSE, they were pessimistic, to say the least, regarding the extent and speed at which customs could be reformed. Accordingly, the capacity to publicly document performance and results was crucial. A demonstrably transparent track record served as the basis for public relations programs by customs administrations.

Responding to performance that is below expectations. Preliminary performance indicator results did not always meet performance expectations. Sometimes this occurred because of delays in implementation. Sometimes client agencies were overly optimistic about initial conditions or how long it would take to achieve objectives. It was sometimes necessary and realistic to scale down before scaling up.

Maintaining flexibility with an eye on results. Program design was flexible to facilitate minor adjustments in initial plans. Each country had its own needs and ideas on which investments would provide the best returns. Some plans for upgrading or adding infrastructure needed to be scaled back to conform to tougher projections for traffic demand. In some cases, modifying the layout of existing facilities made more sense than the ambitious expansion of facilities.

Results Achieved

Reduced waiting time. By the end of 2003, the waiting time for customs clearance at the first six pilot sites dropped by an average of 60 percent, from a low of 23 percent at one Romanian border-crossing point to 90 percent at a Macedonian border-crossing point. In part, these results reflect greater selectivity in inspections – that is, abandoning the policy of mandatory inspection of all trucks.

Economic savings. By the end of the first year of implementation, the overall cost savings from reduced waiting time in the initial six countries was estimated at \$8.4 million, well over US\$6 million a year. With the addition of Moldova and Serbia and Montenegro, estimated savings are now approaching \$US8 million annually. Scaling up to include all border-crossing points and inland terminals has doubled the annual savings to over US\$16 million. It could reach US\$25 million over the next few years. In addition, profits and fees were earned from increased or induced traffic. In Croatia, for example, revenue collected by customs doubled between 1999 and 2003.

Improved dialogue among customs administrations. Meetings of the regional steering committee greatly improved understanding of integrated border management, information sharing, and common issues. A regional information-technology working group was established. The steering committee meetings led to regional endorsement of international standards such as the International Weight Certificate. The steering committee meetings provided a forum for Moldovan customs to share their pilot experiences with single-window payments, an idea that could be replicated throughout the region.



Monitoring of performance, leading to improvements. A transparent, comparative public performance monitoring system, developed from a shared performance manual, was set up across the program pilot sites. This helped resolve procedural and logistical problems at particular sites; it facilitated performance comparison across sites; and it helped to flesh out new areas in need of reform. For example, early progress at an inland Macedonian clearance terminal (Kumanovo) began to falter. Analysis of the data enabled the staff to make changes that reduced clearance time to about half of its previous level. The indicators were also made public on the Internet. Private sector groups have participated in rolling out Internet access and have expressed interest in continued monitoring of the pilots after the TTFSE program closes.

User surveys made public. A specialized independent consultant undertook a consultation with 150 users of border-crossing agency services. Chambers of commerce, the pro-committees, and professional organizations from each country participated. This collaboration strengthened both the organizational and the methodological capacity of NGOs working with the trade and transport sectors. As part of the monitoring process, the surveys enabled users to publicly voice their concerns and to voice their degree of satisfaction with the pace, scope, and impact of change. Their scores helped to validate the performance indicator results, and the data they provided documented reductions in the costs of trade. These results were made public on the Internet.

Training provided for small and medium-size enterprises. Training was needed, especially for small and medium-size enterprises engaged in regional trade and for owner-operators in the transport sector. Training began with newly prepared materials on business ethics, corruption, international delivery terms, commercial transaction documents, trade payment methods, transport operations, and customs transit procedures. This was followed by training of trainers. By the end of the second year, 169 seminars had been provided for 3,142 participants at 85 locations. Certification programs were provided for road transport operators and freight forwarders. TTFSE's distance learning methodology is already being replicated to provide training in supply chain management in Latin America.

Problems Encountered

Customs staff were slow to give up 100 percent inspections of containers and were reluctant to shift to a more effective use of risk management and greater selectivity in inspections.

- Cooperation among border-crossing agencies, both locally and nationally, needs improvement.
- The turnover of border-crossing agency staff has been excessively high, especially within customs administration. This has impeded ownership of the reform process.
- Progress is just beginning in the fight against smuggling and corruption. The take-off now needs reinforcement.
- The effectiveness of liaison among TTFSE national coordinators varies considerably from country to country. Support needs to be strengthened at the highest levels of government.

Factors for Success

A political economy favorable to change. The main obstacle to reform is the interest of certain key stakeholders in keeping things as they are. This is especially true where high-value financial transactions are involved, as is the case with customs operations. Countering such resistance requires commitment that is built through participatory processes, consensus, and transparency. TTFSE has shown that the gains through reform are well worth the effort.

Significantly, revenue collection by customs is the major single source of revenue for many governments in the region. So, economic gains through sectoral reform can produce dramatic results – ranging from 25 to 70 percent of total government revenues across the TTFSE countries. Greater flow and value of trade yields a return that is reflected in governments' budgets. It is clear that government agencies stood to benefit directly. As a result, political interest in the TTFSE reforms was widespread.

Commitment to the TTFSE program also drew upon increasing concern among countries to fight corruption. Each country had a national anticorruption program, and nearly every critic considered customs officials to be major offenders. The negative scores from surveys conducted by agencies such as Transparency International publicly underscored the urgency of reform. The need to change these external perceptions was linked to the rationale for reform. It emerged as a key element in the dialogue associated with the client readiness survey that was carried out in program design. The project teams adopted a consultative approach that was sensitive to the internal dynamics of the local political systems. Recurrent visits helped to reinforce political commitment and the necessary consensus in support of reform.

Anticorruption programs and reforms within customs had already been initiated by donors and other external institutions. These reinforced policy makers'



commitment to TTFSE reform. Complementary activities included EU support and regional programs such as the anticrime center in Romania operated by the Southeast European Cooperative Initiative (SECI).

Institutional innovation, such as surveys geared toward results. The surveys of users of border control services, which were conducted in conjunction with the preparation of the TTFSE projects, indicated seriously deficient institutional communication and collaboration. Border control agencies did not communicate very well, at crossing points, or with their respective headquarters. Similarly, the headquarters of the border control agencies did not communicate well with each other, or with neighboring counterpart agencies. Because regional reform demanded cooperation at all levels, especially to get rid of duplicative and conflicting procedures, the design of TTFSE introduced institutional mechanisms for communication and cooperation.

Local project teams, including representatives from the control agencies, were created at the border-crossing points of pilot sites. The local teams were tasked with collecting the data to monitor the performance indicators. They analyzed the data on operational and procedural reforms. A team of customs specialists, deployed and financed by parallel grants from the United States, provided specialized technical guidance for the local project teams.

The TTFSE national coordinator designated a high-level government official to speak on behalf of border control agencies and to facilitate interagency liaison. The regional steering committee, another innovative institutional mechanism, provided a new forum for cross-border consultation, dialogue, and information sharing.

Learning and Experimentation. Learning was facilitated by the staggered development of projects as the program evolved, creating an experience of “several generations.” Meanwhile, continuity was sustained among the core TTFSE team that prepared and supervised all projects.

At the outset, the high costs and uncertainties over regional trade were sufficient to justify fast-tracking in preparing TTFSE. The audits of client readiness, however, suggested that fast-tracking would work against consensus building. Time was needed to generate political commitment, so the preparation team slowed its pace accordingly. Institutional lags among user groups also constrained the pace of implementation. Increasing awareness of the needs of users resulted in scaling up and replication of consultative methods in the TTFSE approach. To achieve results, it often makes

sense to slow down preparation, and focus instead on longer-term consensus building.

Initially, the proposed reforms were broad and comprehensive. They reflected the theoretical ideal espoused by reform specialists. Though desirable in principle, this overly broad agenda would have overstressed local systems in light of the often turbulent political and economic changes under way in the region. Institutional audits signaled that the targets for reform needed to be narrowed. TTFSE’s launch workshop reconfirmed the need for phasing in the process and scaling up once primary objectives were met. The first step was adoption of computer applications to make processes transparent and more efficient, as well as making data readily available at the pilot sites. The quantitative monitoring of the pilot site data facilitated the qualitative, recurrent rethinking of the reform process. Thus, the stage was set for the identification of new targets for action.

Forging a better partnership between the public and private sector required more than accessible performance data. General information was needed on trade and border-crossing requirements. The new regional Web site provided such information and encouraged dialogue on how to reduce trade constraints.

TTFSE was focused largely on a single mode – road transport. As implementation progressed, the potential benefits from a multimodal approach began to outweigh the single-mode approach. In future replication, a multimodal approach to pilot site selection is likely.

To increase individual skills and institutional capacity, the TTFSE program consciously sought out learning opportunities. This was especially important for the small- and medium-size enterprises that were often located outside cities. Because these enterprises had limited access to traditional classroom training, a distance learning program was developed with the Global Facilitation Partnership Distance Learning Program at the World Bank. This included Internet-accessible learning parallel to classroom instruction, with both tracks leading to professional certification. The distance learning program includes study guides, reference materials, links to mentoring services as well as to publications and media presentations. Each country facilitates the program through the services of local partners such as national road transport associations. As the training programs move toward full implementation, businesses can participate at their own pace. Certification is to be granted by national and international professional organizations such as the International Road Transport Union. Program content is available for rollout in other countries.



The Role of Key External Catalysts

What initiatives, factors, and agents helped to trigger support for the reform agenda and new institutional mechanisms that TTFSE represents?

At the top of the list is the importance that the region accorded to European Union accession. The EU had developed a checklist of specific customs reforms. TTFSE provided support for these prescribed changes, referred to as “blueprints,” as well as harmonization with EU standards. Acceptance of EU guideline reforms, regional collaboration, and results achievement had high rates of return and served as strong incentives throughout the region.

The Southeast European Cooperative Initiative (SECI) includes the eight countries in the TTFSE program as well as four significant trading partners: Greece, Hungary, Slovenia, and Turkey. Established with strong U.S. and EU support in December 1996, SECI promoted economic and environmental cooperation focused on efficient transit and the combating of corruption and smuggling. The congruence of SECI and TTFSE objectives created diplomatic synergy, which benefited TTFSE, including funds and technical assistance from the United States. SECI was especially interested in assisting the evolution of pro-committees to facilitate trade and transport through dialogue between the public and private sectors.

As a follow-up to building regional stability, foreign ministers and representatives of international organizations, institutions, and other regional initiatives adopted a pact for southeastern Europe at a special meeting in Cologne, Germany, in 1999. The stability pact adopted a comprehensive, coordinated, strategic approach to regional development, using preventative diplomacy to replace crisis management as the prevailing mode. TTFSE, which focused on improving the investment climate, was the first regional program to fit within the framework of the stability pact.

Another incentive for reform was provided by financial support from international donors. In addition to World Bank support, this included parallel grant funding from the United States and trust fund support from Austria, France, the Netherlands, and Norway.

Finally, the private sector began to coalesce as a force with considerable potential to exercise power and became a factor with which governments had to contend. Recognition of this fact forced policy makers to take the concerns of users and beneficiaries into consideration when planning.

Lessons Learned

Initial reform efforts must be clearly and tightly focused. Although a “comprehensive approach” may maximize impact in theory, at the outset it is better to focus on well-defined smaller targets. It is more important to achieve clear success with direct, demonstrable impact on users. Limiting the initial focus of reform to pilot sites therefore made sense.

An organizational culture supportive of reform is the basis for change. Resistance to change is universal, and fast-paced change is often self-defeating within stressed systems such as the transitional economies of Eastern Europe. TTFSE introduced relatively modest innovations – new data systems and simplified procedures. Yet these were important because they produced tangible results which helped persuade customs agencies of the benefits from broader change. This approach proved far more effective than overly broad, accusatory anticorruption programs. Positive experience helped customs agencies to internalize the values associated with transparency and accountability.

Measuring the effect of the project on users through performance indicators is vital to successful monitoring and implementation. Monitoring is a process. Care must first be taken to identify and properly define project indicators. Then a proper baseline is needed, with mechanisms to collect information. Quantitative data then supplements user feedback. The tracking of results is strengthened when the information provided by user surveys and monitoring can be mutually validated at pilot sites. Once the performance indicators are operational, they can support issue analysis and be used for cross-national comparisons, which serve as a platform for “peer group pressure” on customs administration managers. Because clients generally overestimate their initial performance and the ease of reform, solid project indicators are vital for successful monitoring and implementation. Once developed, they infuse realism and help to pinpoint areas needing ongoing policy and procedural reform.

Short-term progress and long-term sustainability both depend on the client agency “owning” the reform process. The World Bank team that appraised the TTFSE project worked closely with local managers to lay the groundwork for eventual ownership. This was not a one-time process. It took place in mission after mission. The process was complicated by “drift” in commitment over time and frequent personnel changes at the upper and middle levels.

Linkages matter almost as much as the institutions themselves. Mechanisms that link national organizations create a cornerstone for institutional capacity. TTFSE facilitated communication between the pilot sites and headquarters. Then it helped border control agencies to communicate more effectively among themselves, both locally and nationally. Developing interagency coordination and streamlining the full border-crossing cycle required inter-ministerial collaboration, which only succeeds with high-level political commitment and cooperation.

The private sector is a necessary partner in the reform process. Throughout the history of TTFSE, the private sector has served as a necessary source of continuous pressure, reinforcing government commitment to the reform process both nationally and regionally. Because the private sector views itself as a beneficiary of TTFSE, it has been willing to collaborate and bear costs, including future monitoring.

The subtle behavior of the local political systems – sometimes leading to changes of government – was often difficult to anticipate, interpret, and respond to. Political factors caused frequent delays in project implementation. Local staff at in-country offices were indispensable for understanding the shifts, whether ripples or cataclysms.

Broader Applicability: Spreading Results to Other Countries

A scalable model for reform of trade and transport facilitation has been developed at pilot sites in Southeast Europe. Lessons learned and best practices not only have informed project evolution at the TTFSE pilot sites, but also are being applied elsewhere. In Romania and Bulgaria, for example, high levels of client ownership have resulted in lessons learned at the pilot sites being replicated and extended to other national border crossings.

The TTFSE focus on policy dialogue, performance indicators, and public-private partnership is highly applicable to reform efforts emerging outside the region – for example in Armenia and Georgia. Performance indicators are also being applied in two very different settings – the Russian Federation Customs Modernization Project and the Afghan Emergency Customs Project. A similar approach to policy dialogue is guiding trade and transport facilitation discussions in Central Asia.

To launch and implement a trade facilitation program – in any country or region – the following steps and actions are needed:

- Preliminary identification of what needs to be changed – What are the issues?

- Survey of the geographic area in which regional collaboration will take place.
- Country analysis – This includes identification of major constraints, institutional assessments, specific studies, and stakeholder analyses.
- Mechanisms for interaction – These include identification of national and regional champions and task forces in areas such as legal change, procedures and operations, and interagency collaboration.
- A forum for identifying key issues – In the case of TTFSE, this included national “pro-committees” and a regional steering committee.
- Development of an action plan or a strategic implementation plan.
- Setting the action plan within a project context with donor or local financing.
- Identification of performance indicators.
- Monitoring and evaluation that feeds back into the ongoing process of policy reform.

Summary: How TTFSE Embodies the MfDR Principles

1. At all phases – from strategic planning through implementation to completion and beyond – focus the dialogue on results for partner countries, development agencies, and other stakeholders.

- Program design paid close attention to results across a region of, first six and then eight countries.
- Dialogue began with the ministries of finance and the customs administration agencies in respective countries.
- Key participants were the transportation industry (producers and shippers) and the public, who depend on the smooth flow of goods across borders.

2. Align actual programming, monitoring, and evaluation activities with the agreed expected results.

- The program was carefully planned to emphasize customs administration.
- Reforms needed to occur before infrastructure investments could be made.
- The TTFSE Manual was developed with a full set of performance indicators. These were put in place in all eight countries to flag what needed to be monitored and accomplished.

3. Keep the results reporting system as simple, cost-effective, and user-friendly as possible.

- The results reporting system was comprehensive, though not overly complex.



- The program implementation units in each country found the performance indicators to be suitable, and the progress reporting systems were considered practical.
- Timely reports showed clear evidence of progress at the country level.

4. Manage for, not by, results, by arranging resources to achieve outcomes.

- This program has made substantial impact through more-efficient trade flow, reduced waiting time at borders, and less corruption.
- The end goal was formulated in terms of behavioral change in customs administration – and this happened.

5 Use results information for management learning and decision making, as well as for reporting and accountability.

- TTFSE has generated critical information for managers of customs administrations to improve their operations.
- Data analysis has helped to identify border bottlenecks, reducing waiting times and providing practical information to users – for example, which border crossings have shorter lines at what times.
- The TTFSE program has also helped decision makers in ministries of finance to review budget requests in light of the efficiencies and needs of current operations. Results data helps them to allocate based on identified need rather than historical precedent.

References

An overview of results under TTFSE is found in “Progress Report 2002,” “Progress Report 2003,” and in subsequent reports. These and other project-related documents are continuously updated and made available on the TTFSE Web site:

<http://www.seerecon.org/RegionalInitiatives/TTFSE/>

A regional Web site, including trade facilitation information provided by national partners in each TTFSE country, is found at: <http://www.TTFSE.org>

A similar Web site for the Caucasus is found at: <http://www.TTFSC.org>

Information on the Global Facilitation Partnership and the Distance Learning Initiative can be found at <http://www.gfp-dli.org> and <http://www.gfpdt.org>

Additional information on trade facilitation and transport is found on the ECSIE Transport Library Web site at:

<http://www.worldbank.org/ECA/Transport/>

See also the trade facilitation and logistic section on the World Bank Trade Web site at:

<http://www.worldbank.org/WBsite/external/topics/trade> and <http://www.guam.org>

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