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FOREIGN ASSISTANCE

The United States Provides Wide-ranging Trade Capacity Building Assistance, but Better Reporting and Evaluation Are Needed

U.S. Government Accountability Office

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Why GAO Did This Study

From 2005 to 2010, 24 U.S. agencies provided more than \$9 billion in trade capacity building (TCB) assistance to help more than 100 countries reduce poverty, increase economic growth, and achieve stability through trade. To report on TCB funding, the U.S. government conducts an annual survey of agencies and publicly reports the data in a TCB database administered by the U.S. Agency for International Development (USAID). GAO examined (1) how agencies' TCB activities are aligned with the agencies' goals, (2) the extent to which the TCB database provides sufficient information on key trends and funding, and (3) the extent to which USAID monitors and evaluates the effectiveness of its TCB activities. GAO focused on the agencies that reported the most funding for TCB activities since 2005—the Departments of the Army and State, the Millennium Challenge Corporation (MCC), and USAID—and the Office of the U.S. Trade Representative (USTR). GAO analyzed U.S. government data; reviewed agencies' strategic, budget, and program documents; and met with U.S. and foreign government officials in select countries.

What GAO Recommends

GAO recommends that the Administrator of USAID publicly report identified limitations and key distinctions in the categories of TCB assistance in the database. GAO also recommends that USAID develop a written plan for using its recent TCB evaluation and for conducting evaluations on an ongoing basis. USAID stated that it has already taken steps consistent with the GAO recommendations.

View [GAO-11-727](#) or key components. For more information, contact Loren Yager at (202) 512-4347 or yagerl@gao.gov.

FOREIGN ASSISTANCE

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What GAO Found

USAID and State conduct TCB activities that are aligned with their primary goals, but TCB is secondary to the goals of other agencies. USAID and State have developed strategic plans that include TCB-focused goals. Aligned with these goals, USAID and State assist countries in negotiating and implementing trade agreements. In addition, USAID assists countries in taking advantage of economic growth opportunities stemming from trade, often in conjunction with other agency goals. TCB is not a primary focus of MCC and the Army, however, they conduct activities to meet their broader agency goals that have trade-related effects. MCC identifies trade-related assistance it considers TCB as part of its programs' poverty reduction goals. The Army implements TCB-related physical infrastructure projects as part of its disaster response objectives and in support of its reconstruction and economic development efforts in Iraq and Afghanistan.

The U.S. government TCB database has reported that annual TCB funding has increased from \$1.35 billion in 2005 to \$1.69 billion in 2010, but the database does not adequately describe certain factors underlying this growth and other significant changes in the composition of TCB funding. From 2005 to 2010, two agencies—MCC and the Army—began reporting significant TCB funding, primarily for physical infrastructure projects. Their funding comprised 54 percent of total TCB, and physical infrastructure projects comprised 45 percent of total TCB. However, the TCB database does not adequately explain significant factors driving changes in the composition of TCB funding. In particular, the annual TCB survey methodology attempts to identify and quantify just the trade-related components of projects, but this can be difficult in practice, particularly for physical infrastructure projects. Although GAO found the survey data to be generally reliable, these factors can lead to limitations in the data that are not described for its users. Clear reporting and transparent methodology and data collection are essential to understanding levels of funding and changes in the nature of TCB over time.

USAID has improved its assessment of TCB activities, including developing performance indicators and taking the positive step of commissioning a multicountry evaluation of the effects of TCB, but it has yet to develop plans to make use of the evaluation's valuable insights. USAID uses trade and investment indicators to assess the immediate results of its TCB activities. However, officials explained that it is difficult to attribute trade-related trends revealed by the indicators to the effects of TCB assistance and collect valid and reliable data to measure progress. To assess longer-term results, USAID has commissioned evaluations of TCB programs in specific countries, but these are limited in number. It recently commissioned a multicountry evaluation of the long-term effectiveness of its TCB activities agencywide. While USAID is beginning to incorporate the evaluation's results in its training, it has yet to develop plans for disseminating best practices to missions and offices on the methods they may use to better manage and assess their activities. Furthermore, it has not made plans for conducting evaluations on an ongoing basis.

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Abbreviations

AGOA	African Growth and Opportunity Act of 2000
Army	Department of the Army
CAFTA-DR	Central America-Dominican Republic Free Trade Agreement
CERP	Commander's Emergency Response Program
FTA	free trade agreement
LDC	least-developed country
MCC	Millennium Challenge Corporation
OECD	Organization for Economic Cooperation and Development
State	Department of State
TIFA	Trade and Investment Framework Agreement
TCB	trade capacity building
TPSC	Trade Policy Staff Committee
USAID	U.S. Agency for International Development
USTR	Office of the U.S. Trade Representative
WTO	World Trade Organization

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

July 29, 2011

The Honorable Howard L. Berman
Ranking Member
Committee on Foreign Affairs
House of Representatives

The Honorable Joseph Crowley
House of Representatives

The Honorable Jim McDermott
House of Representatives

Trade capacity building (TCB) is a form of development assistance provided by the United States and other countries to help developing countries participate in and benefit from global trade. Congress and the executive branch have identified TCB assistance as an important tool for U.S. trade and development policy based on evidence of the effectiveness of trade in reducing poverty and generating economic development and growth. According to the Office of the U.S. Trade Representative (USTR), poverty rates for countries engaged in international trade have fallen sharply over the last 20 years. In the context of the ongoing Doha Development Agenda multilateral trade negotiations of the World Trade Organization (WTO), WTO member countries have recognized the impact of trade on development, including the role that trade can play in reducing poverty, achieving economic growth, and raising income levels. WTO members have also recognized the importance of trade-related assistance for addressing the constraints that limit the ability of developing countries and, in particular the least-developed countries, to fully benefit from trade and the rules-based multilateral trading system. To respond to these concerns, in 2001 and 2005, the WTO affirmed the importance of TCB assistance and the United States and other donors pledged continued support, respectively. The U.S. government provides TCB assistance to help developing countries worldwide build the physical, human, and institutional capacity to participate in global trade. Multiple U.S. agencies have developed a variety of programs that provide such assistance and support more than 100 countries. When we examined U.S. government TCB efforts in 2005, we noted the importance of the linkages between trade and development and recommended that more evaluation be performed to help ensure that TCB activities are effective in helping countries benefit from trade. We

also cited the importance of evaluation in demonstrating that the capacity building goals envisioned by the United States are being achieved.¹

In response to your interest in U.S. TCB programs, this report examines (1) how agencies' TCB activities are aligned with the agencies' goals, (2) the extent to which the U.S. government TCB database provides sufficient information on key trends and funding, and (3) the extent to which the U.S. Agency for International Development (USAID) monitors and evaluates the effectiveness of its TCB activities.

To address these objectives, we analyzed available data from the U.S. government TCB database, which is maintained by USAID and reports annual TCB data using a governmentwide survey. We have assessed these data as part of our previous and ongoing work and have determined that they are sufficiently reliable to identify TCB funding by agency, country, and category; although we found limitations to the use of the data, as discussed in this report. We focused our review on TCB activities provided by the Departments of the Army (Army) and State (State), the Millennium Challenge Corporation (MCC),² and USAID, which together have funded more than 90 percent of total U.S. TCB assistance from fiscal years 2005 to 2010. In addition, we included USTR in our focus due to its unique trade policy role. In conducting our work, we analyzed strategic, budget, and programmatic documents describing these agencies' TCB funding and activities. We reviewed data and information these agencies use to measure the performance of their activities and, where available, evaluations of programs or projects. We conducted fieldwork in Colombia, Morocco, and Mozambique. We selected these countries because they were among the 10 countries receiving the most TCB funding from fiscal years 2005 to 2009. In addition, we sought a mix of U.S. agencies providing assistance in-country and the categories of assistance provided, as well as geographic diversity. In each country we reviewed agencies' strategy documents, and performance plans and reports. We also interviewed agency officials, host government officials, and contracted implementing partners and visited TCB projects.

¹GAO, *Foreign Assistance: U.S. Trade Capacity Building Extensive, but Its Effectiveness Has Yet To Be Evaluated*, [GAO-05-150](#) (Washington, D.C.: Feb. 11, 2005).

²In January 2004, Congress established MCC to administer the Millennium Challenge Account for foreign assistance.

We conducted this performance audit from July 2010 through July 2011 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I contains a more detailed description of our scope and methodology.

Background

TCB assistance is based on the premise that international trade can positively benefit a country's overall growth and development. The United States and other countries increasingly view TCB assistance as an important tool in promoting economic growth and reducing poverty. Expanding trade with and among developing countries can be a critical driver of economic growth and poverty reduction because it encourages entrepreneurship, human resource development, technology transfer, technological innovation, and good governance.

Developing countries have increasingly integrated into the global trading system, and some of those countries have become important U.S. trading partners. According to the World Bank, exports from developing countries have grown twice as fast as those of high-income countries since 2000. Moreover, imports in developing countries grew at almost twice the rate of high-income countries. As a result, developing countries account for a growing share of world imports. Furthermore, since 2000, many developing countries have acceded to the WTO.³ Currently, about two-thirds of WTO members are developing countries or least-developed countries.⁴ In addition, many developing countries have entered into free trade agreements (FTA) with the United States. FTAs phase out barriers to trade in goods with particular countries or groups of countries and

³The WTO has no formal definition of a "developing country." Members announce for themselves whether they are "developed" or "developing" countries.

⁴WTO agreements contain special provisions that give developed countries the possibility to treat developing countries more favorably than other WTO members. These special provisions include, for example, longer time periods for implementing agreements and commitments or measures to increase trading opportunities for developing countries. The provisions are designed to help developing countries implement the agreements and to accentuate the benefits they might enjoy.

contain rules designed to improve access in services, investment, and intellectual property rights.

However, many developing countries—in particular the least developed—face constraints that severely limit their ability to implement trade agreements and benefit from trade. Many developing countries lack the physical, institutional, or human capacity to participate effectively in global trade. Additionally, developing countries sometimes lack the financial and human resources to fulfill their trade commitments. USTR has indicated that TCB assistance is important to enable developing countries to negotiate and implement market-opening and reform-oriented trade agreements. In addition, some view TCB assistance as important to securing broad-based reforms across countries so that all countries benefit from the trade rules negotiated in the WTO and in other trade agreements. In 2001, the WTO Doha Ministerial Declaration advised that technical assistance should be designed to assist developing, least-developed, and low-income countries to meet their WTO obligations, and draw on the benefits of an open, rules-based multilateral trading system. The WTO created the Doha Development Agenda Global Trust Fund to help developing countries build capacity and establish a reliable basis for funding WTO-related technical assistance. The 2005 Hong Kong WTO Ministerial Declaration called for the expansion and improvement of this type of assistance and set in motion a process to achieve this known as the Aid-for-Trade Initiative.⁵ Partnering with the WTO on this initiative, the Organization for Economic Cooperation and Development (OECD) jointly created a database to provide comprehensive information on bilateral donor and multilateral/regional agency support for TCB. The OECD has issued a number of reports on aid-for-trade issues and attempts to share good practices so that developing countries can capitalize on the opportunities of international trade.

To identify and quantify the U.S. government's TCB activities in developing and transitional economies, USAID conducts an annual survey on behalf of USTR. The data gathered from this survey are used to inform and respond to inquiries from Congress, the executive branch, the general public, and multilateral organizations such as the WTO. USTR officials use the database regularly and, according to these officials, it is a useful tool for identifying U.S. agencies' TCB activities and

⁵USTR uses the term "aid for trade" interchangeably with TCB.

funding in a particular country or region, as well as the full extent of assistance the U.S. government provides in that area. USAID oversees a contractor that collects and maintains the survey results in a publicly available online database. The survey defines TCB and asks agencies to place their assistance into a range of categories and estimate funding obligated for each category (table 1 provides further information on these categories). In addition to administering this survey, USAID is also tasked with reviewing completed survey forms, and checking for accuracy and consistency in the reporting of funding and allocation into TCB categories. A variety of U.S. agencies have a role in providing TCB assistance, including the Departments of State, the Army, Labor, the Treasury, and Commerce; MCC; and USAID.

Table 1: U.S. TCB Categories and Definitions

Category	Definition
WTO awareness, participation, and accession	Assistance to help governments and private sector institutions benefit from membership in the WTO or to understand fully the benefits of membership, and assistance to help countries in the WTO accession process meet the requirements of accession.
WTO agreements	Assistance that enables countries to better participate in, and benefit from, particular WTO agreements.
Trade facilitation	Generally defined as assistance in lowering the costs of engaging in, and benefiting from, particular WTO agreements.
<ul style="list-style-type: none"> • Business services and training 	Support to improve the associations and networks in the business sector, as well as to enhance the skills of business people engaged in trade.
<ul style="list-style-type: none"> • Export promotion 	Assistance to increase market opportunities for developing country and transition economy producers.
<ul style="list-style-type: none"> • Customs operation and administration 	Assistance to help countries modernize and improve their customs offices.
<ul style="list-style-type: none"> • E-commerce development and information technologies 	Assistance to help countries acquire and use information technology to promote trade by creating business networks and disseminating market information.
<ul style="list-style-type: none"> • Regional trade agreements 	Assistance to increase the ability of regional trade agreements and individual countries to facilitate trade and help potential regional trade agreement members.
<ul style="list-style-type: none"> • Other trade facilitation 	Support that facilitates the flow of trade in other ways.
Human resource and labor standards	Assistance to support the enforcement of labor standards and workers rights, development of trade unions and dispute resolution mechanisms, strategies for workforce development and training, and the elimination of child labor.
Physical infrastructure development	Assistance to establish trade-related telecommunications, transport, ports, airports, power, water, and industrial zones.
Trade-related agricultural development	Support for trade-related aspects of the agriculture and agribusiness sectors.
Environment sector trade and standards	Assistance to establish environmental standards or to promote environmental technology.

Category	Definition
Governance, transparency and interagency coordination	Support for legal and institutional reform to improve governance and make policies more transparent as well as help government agencies function more effectively in the trade policy area.
Financial sector development and good governance	Support for financial sector work, monetary and fiscal policy, exchange rates, commodity markets, and capital markets.
Competition policy and foreign investment	Support for the design and implementation of antitrust laws, as well as of laws and regulations related to investment and investor protections.
Services trade development	Support to help developing countries increase their flows of trade in services.
<ul style="list-style-type: none"> Tourism sector development 	Assistance to help countries expand their international tourism sectors.
<ul style="list-style-type: none"> Other services development 	Assistance to help countries develop trade in services in all sectors other than tourism, including financial services, energy, transportation, and education.

Sources: USAID and USTR.

In our 2005 report on U.S. TCB efforts, focusing on the period from 2001 to 2004, we found that U.S. TCB assistance was primarily a collection of a variety of trade and development activities. We noted that 18 agencies had self-reported that they obligated almost \$2.9 billion for TCB activities in more than 100 countries and that USAID provided 71 percent of overall U.S. TCB assistance. We also found that the six agencies we reviewed were neither systematically monitoring nor measuring program performance in terms of TCB and recommended USAID and USTR develop a strategy to systematically monitor and measure results and evaluate effectiveness. In response, USAID, in consultation with USTR, took steps to develop a multicountry evaluation to measure the effectiveness of U.S. TCB assistance, which was issued in November 2010.

USAID and State Conduct TCB Activities Aligned with Their Primary Goals; TCB Is Secondary to Goals of Other Agencies

Of the four agencies we reviewed that fund and implement TCB activities, only USAID and State have strategic plans that include TCB-focused goals. USAID has developed a strategic plan for TCB, and State's joint strategic plan with USAID for fiscal years 2007 to 2012 supports USAID's goal of advancing developing countries' participation in and benefits from trade agreements. MCC and the Army conduct TCB-related activities that support their broader strategic and agency mission goals. However, they do not have strategic plans and goals that specifically relate to TCB.

USAID and State Provide Assistance that Directly and Indirectly Supports USAID's TCB Strategic Plan

USAID and State have strategic goals specific to promoting TCB and have incorporated these goals in the planning of their assistance. (For further information on USAID's planning of its TCB activities, see app. II.) In 2003, USAID issued a formal strategic plan on TCB, to focus its TCB efforts and guide the selection of new activities.⁶ The plan calls for USAID's TCB projects to support the three primary objectives of helping countries participate in trade negotiations, implement trade agreements, and take advantage of trade opportunities. In addition, State supports USAID's TCB efforts outlined in its strategy. The USAID and State joint strategic plan for fiscal years 2007 to 2012 calls for supporting USAID's strategic goal of providing assistance to help countries participate in and benefit from trade agreement negotiations. We found that USAID and State planned and provided assistance that supported TCB strategic objectives. USAID also provided assistance that aligns with its April 2008 strategy for economic growth that includes the goals of (1) developing well functioning markets in developing countries, primarily through supporting policy and regulatory reforms and (2) strengthening the international framework of policies and institutions that support countries' economic growth and opportunities by promoting international standards.

USAID and State Directly Support Participation in Trade Negotiations

USAID and State, in collaboration with other U.S. government agencies, have provided TCB assistance as part of USTR-created TCB working groups in developing countries where the United States is negotiating a FTA. (For further information on interagency efforts to coordinate TCB assistance, see app. III.) These working groups meet during the negotiations to identify and select TCB activities that assist developing country negotiating partners through regional and bilateral TCB programs. In particular, TCB working groups were a feature of the bilateral negotiations in support of the ratified Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) and Peru FTA, and the signed FTAs with Colombia and Panama. For example:

- During the CAFTA-DR negotiations, USAID, State, and other U.S. agencies helped to provide technical assistance to the Central American countries to address a variety of trade capacity issues, including the strengthening of plant and animal health and food safety regulatory systems, and the strengthening of customs procedures.

⁶USAID, *USAID Strategy: Building Trade Capacity in the Developing World*, PD-ABX-241 (Washington, D.C., March 2003).

USAID and State Directly
Support the Implementation of
Trade Agreements

- In conjunction with the U.S.-Colombian free trade negotiations a USAID program assisted the government of Colombia in adopting and implementing policy and regulatory reforms to facilitate the conclusion and implementation of the FTA. The program included 18 components of trade-related policy reforms that led to Colombia's development of new regulations and procedures consistent with the FTA's requirements.⁷ For example, the program supported the establishment of a national food safety policy that ensured consistency with U.S. sanitary and phytosanitary⁸ standards.

In addition, USAID provided TCB assistance to support countries' efforts to accede to the WTO. In fiscal year 2009, USAID provided TCB assistance supporting the accession and membership of nine countries to the WTO.⁹ USAID's activities supported foreign governments' implementation of regulatory reforms and the adoption of domestic policies, laws, and regulations that align with international standards. For example, under a 5-year joint-funded program with State, USAID provided the government of Laos with legal and economic analysis of needed reforms, particularly in the areas of services, and intellectual property rights and standards.

USAID and State have provided TCB assistance to support the implementation of U.S. FTAs with developing country partners. The final texts of FTAs, including CAFTA-DR, and the Peru FTA, have provisions that created committees on TCB to assist partner countries in implementing the trade agreements and adjusting to more liberalized trade. USAID, State, and other U.S. agencies have provided TCB assistance in support of the work of these committees. For example,

⁷The program's 18 components included (1) seminars on the FTA and its benefits, (2) labor capacity and compliance with labor laws and regulations, (3) customs reforms, (4) technical barriers to trade, (5) tax benchmarking, (6) securities market, (7) investment, (8) modeling of demand for transportation infrastructure, (9) sanitary and phytosanitary measures, (10) tax policy, (11) telecommunications, (12) technical cooperation strategy to build trade capacity and harmonize donor assistance, (13) services statistics, (14) professional services standards, (15) competitiveness, (16) arbitration, (17) intellectual property rights, and (18) energy sector.

⁸Sanitary refers to human and animal health and safety, while phytosanitary refers to plant health.

⁹Countries include Afghanistan, Azerbaijan, Ethiopia, Kazakhstan, Kyrgyzstan, Laos, Russia, Serbia, and Tajikistan.

USAID's Regional Trade Program for CAFTA-DR provided training relevant to compliance with the provisions of the CAFTA-DR agreement, including training to some partner countries' foreign government officials, judicial officials, and private sector representatives in the area of intellectual property rights protections and investment regulations. The program also strengthened CAFTA-DR partner countries' customs operations and administration to meet international standards as well as the FTA's provisions.

USAID also conducts TCB activities with the objective of building the capacity of firms to capitalize on the benefits of FTAs. For instance, in 2005, USAID created a program to provide technical assistance to Moroccan firms in various sectors, including apparel, textiles, leather footwear, and processed foods, with the goal of developing business opportunities between the United States and Morocco under the U.S.-Morocco FTA. Under the program, Moroccan firms and trade associations received technical assistance, including seminars and workshops on a variety of trade-related topics such as sales planning, transport logistics, and production standards and certification.

USAID also assists countries in adopting requirements related to WTO agreements, and supports countries seeking to benefit from regional trade agreements. USAID funds and implements projects to help recipient countries comply with WTO agreements in areas such as government procurement, agriculture, the application of sanitary and phytosanitary measures, and the agreement on intellectual property rights.¹⁰ In addition, USAID provided technical assistance to address developing countries' capacities for meeting standards under regional trade agreements. For example, a primary objective of USAID's Southern Africa Trade Hub is to increase international competitiveness and intraregional trade in the Southern African Development Community region.¹¹

¹⁰Also known as the Agreement on Trade-Related Aspects of Intellectual Property Rights.

¹¹The 15 member countries of the Southern African Development Community (SADC) region launched a free trade area in 2008. In addition, SADC member states have begun negotiations to form a Tripartite FTA combining SADC, the Common Market for Eastern and Southern Africa, and the East African Community.

USAID Directly Supports Trade-Related Opportunities Provided under U.S. Trade Preference Programs

In addition, USAID provides TCB assistance in support of opportunities provided under trade preference programs, most prominently the African Growth and Opportunity Act of 2000 (AGOA).¹² To help countries take full advantage of increased trading opportunities under AGOA, USAID provides TCB assistance primarily through trade hubs in East, West, and Southern Africa and bilateral missions in sub-Saharan Africa. The trade hubs assisted firms in taking advantage of opportunities under AGOA by helping them develop market linkages, adapt products to the U.S. market, and facilitate business deals. One trade hub also developed national export strategies identifying countries' constraints and opportunities for exporting under AGOA, and another trade hub conducted workshops to help African firms and foreign government officials increase their understanding of AGOA.

USAID Indirectly Supports TCB in a Number of Ways

In conjunction with objectives other than TCB, USAID conducts TCB-related activities that indirectly support TCB by helping countries take advantage of trade-related economic opportunities. These activities aim to address a wide range of development needs in the public and private sectors. In conducting our fieldwork and research, we identified USAID projects that missions conducted for various objectives in addition to TCB, but that mission officials identified as achieving outcomes related to international trade:

- The mission in Mozambique conducted a TCB-related agriculture development program with the primary objective of increasing the sustainability and profitability of the country's private sector to strengthen rural income growth. While TCB was not an explicit objective, as part of the program, USAID funded a commercial food laboratory that provides screening services to reduce illnesses from contaminated local food supplies, which also helped producers meet quality standards for the export of commercial food products.
- USAID implemented TCB-related programs in Colombia with the primary objective of generating economic alternatives to illicit crop production. However, the program also helped agricultural producers expand sales, including exports, and assisted the government of

¹²Pub. L. No. 106-200, Title I, 114 Stat. 252 (2000), as amended. AGOA requires the administration to produce an annual report on the U.S. trade and investment policy for sub-Saharan Africa and the implementation of AGOA. The report includes information about TCB efforts undertaken by U.S. agencies in the region, including USAID.

Colombia in implementing economic policies and institutional reforms to enhance the competitiveness of the Colombian economy in general, including those related to international trade.

- In Morocco, the mission conducted TCB-related activities aimed at improving the general business environment and promoting broad-based economic growth, in part through a reduction in trade and investment barriers. One TCB-related program provided technical assistance in support of regulatory and legal reforms to promote investment and enhance the general ease of doing business, for instance. In addition, USAID implemented a program to improve the productivity and competitiveness of certain agricultural products, including those for export.

TCB Is Secondary to the Goals of MCC and the Army

Other agencies we reviewed do not have TCB-focused strategic goals, but conduct activities that have trade-related effects and that are considered TCB to fulfill their broader mission goals. While 23 other U.S. agencies, in addition to USAID, reported funding for TCB-related activities from fiscal years 2005 to 2010, MCC, in particular, reported obligating almost half of total U.S. government TCB funding over this period. In addition, over the same period, the Army reported obligating the fourth largest amount of funding for TCB among U.S. agencies, following MCC, USAID, and State. However, MCC and the Army do not have strategic plans and goals that specifically relate to TCB, but sometimes conduct TCB-related activities to fulfill their strategic and agency mission goals. MCC generally identifies TCB-related activities as part of its poverty reduction goals in its 5-year country compacts and threshold programs, although TCB is not an explicit objective.¹³ The Army conducts trade-related physical infrastructure projects, such as roads and telecommunications projects, that it reports as TCB to respond to its emergency and disaster response objectives in Afghanistan and in support of its reconstruction efforts in Iraq and Afghanistan.

¹³A compact is a multiyear agreement between the MCC and an eligible country to fund specific programs targeted at reducing poverty and stimulating economic growth. A threshold program is designed to assist countries that have not yet qualified for MCC compact funding, but are on the “threshold” of doing so, having demonstrated a significant commitment to improving their performance on the eligibility criteria for compact funding. See 22 USC 7708 (a), (j).

MCC's TCB-Related Activities
Are Part of Its Larger Mission
to Reduce Poverty and Support
Economic Growth

Although from 2005 to 2010 MCC reported obligating the largest amount of TCB-related assistance funding of any U.S. government agency—approximately \$4.7 billion, or 65 percent, of its total assistance—MCC does not fund TCB-related activities for the specific objective of TCB, according to officials. It funds TCB activities as part of its larger mission to reduce poverty and stimulate economic growth through its compact agreements, and to help countries address policy weaknesses through its threshold programs. MCC provides monetary assistance through multiyear compact agreements with developing countries that create and maintain sound policy environments. Its threshold programs fund a limited amount of assistance to certain developing countries to help them become eligible for compact funding. TCB is not an explicit objective of the agreements and programs, according to officials, and MCC funds are not earmarked for specific TCB projects. Compact countries define their own development priorities and project proposals, which may include projects considered as TCB. MCC first reported obligating funding for TCB assistance when it signed its initial compacts with recipient countries in fiscal year 2005. MCC has continued to report high levels of funding for TCB assistance as countries sign compacts, but the levels of funding and types of TCB-related activities depend on whether countries include TCB as a component in their proposals.

MCC operates differently than USAID and other U.S. agencies in that it only provides assistance to developing countries based on criteria involving governance and economic reform measures. For a country to be selected as eligible for MCC's compact assistance program, it must have demonstrated a commitment to ruling justly, encouraging economic freedom, and investing in people by performing well on 17 indicators that MCC uses to assess policy performance. Each compact is unique, and MCC works in partnership with eligible countries that identify the greatest constraints to their own development and establish priorities. In consultation with the private sector and nongovernmental organizations, a country government submits a proposal that may include TCB-related projects. The proposal forms the basis for the compact. To help focus the proposal on the root causes of constraints to private investments and identify the appropriate activities, MCC and country partners use a written analysis of a country's constraints. The analyses facilitate the consultative process for developing compacts that address country priorities. For example, according to MCC officials in Mozambique, MCC funded prefeasibility analyses of four potential TCB-related projects. Three of the projects were included in the compact. However, following consultations, a free trade zone project was determined not to be viable.

The Army's TCB-Related
Activities Support
Infrastructure Development in
Iraq and Afghanistan

As of fiscal year 2010, MCC reported TCB-related activities in 20 compact countries and 9 threshold program countries.¹⁴ TCB-related activities in compact countries primarily consisted of physical infrastructure development activities, while activities in threshold program countries focused on customs operation and administration, such as strengthening border inspections to improve import and export monitoring. For example, in Benin, Honduras, Mali, Mozambique, and Tanzania, MCC has funded a variety of physical infrastructure projects, including port and airport improvement projects, as well as road construction and rehabilitation. The Moldova, Sao Tome and Principe, and Zambia threshold programs included a variety of activities related to customs operations and administration, including the upgrading and modernization of customs systems and enhancements to custom operations and inspection procedures.

The Army does not have TCB-focused strategic objectives, according to Army officials. However, the Army funds trade-related physical infrastructure projects considered TCB as part of the Commander's Emergency Response Program in Afghanistan and in support of its infrastructure development efforts in both Iraq and Afghanistan.¹⁵ Since fiscal year 2009, the Army has reported \$615 million in total obligated funding for TCB-related activities that support the Army's broader goal to achieve U.S. security objectives, provide basic humanitarian aid and services, and support economic stability and development as a means of responding to security concerns. For example, as part of its funding for humanitarian assistance, the Army constructed and restored a variety of physical infrastructure in Afghanistan that it reported contributed to trade, including telecommunications and electrical systems projects. Although the objectives of these projects are not directly focused on TCB,

¹⁴Compact countries include Armenia, Benin, Burkina Faso, Cape Verde, El Salvador, Georgia, Ghana, Honduras, Lesotho, Madagascar, Mali, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nicaragua, Senegal, Tanzania, and Vanuatu. Threshold countries include Guyana, Jordan, Liberia, Moldova, Paraguay, the Philippines, Sao Tome and Principe, Ukraine, and Zambia.

¹⁵The objective of the Commander's Emergency Response Program (CERP) is to enable local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility. The Secretary of the Army serves as the executive agent and is responsible for developing detailed procedures necessary for commanders to carry out CERP in a manner that is consistent with applicable laws, regulations, and guidance. The Commander of U.S. Central Command is responsible for allocating CERP resources. CERP guidance applies to all U.S. Department of Defense organizations and activities.

according to officials of one Army command, these projects further increase economic integration and trade by providing communication and electrical power linkages between Afghanistan and neighboring countries. The Army also undertook food production and distribution processes in Afghanistan that also helped meet sanitary and phytosanitary standards. In addition, as part of its mission, the Army supports economic stability and sustainable development to promote security, in part, through the development of infrastructure, such as roads, that facilitate trade. For example, the Army funded the restoration and construction of roads in 20 regions in Afghanistan, which it reported contributed to the development of physical infrastructure needed to promote trade. In addition, the Army reported funding to repair, improve, and create new infrastructure in Iraq and Afghanistan, including roads and bridges, necessary for trade routes and market access improvements. According to officials of one Army command, the road projects facilitated regional and international trade flows by linking Afghanistan with neighboring countries. Officials noted that recipient countries of the Army's assistance are identified through Department of Defense guidance and with input from in-country U.S. agencies on recipient countries' needs.

The TCB Database Does Not Provide Adequate Information Necessary to Understand Significant Changes in the Composition of Reported TCB Activities

USAID does not adequately describe certain key factors underlying significant changes in the composition of TCB funding as reported by the TCB database. According to the database, from 2005 to 2010, overall annual funding increased 25 percent, from \$1.35 billion to \$1.69 billion. This increase is largely the result of the inclusion of funding from MCC beginning in 2005, and the Army beginning in 2009. Correspondingly, there has been a steep decline in the share of total funding reported by USAID and other agencies. MCC and the Army reported TCB funding primarily in the category of physical infrastructure, which has contributed to a steep rise in overall funding in that category.¹⁶ In addition, agencies that are newly identified for inclusion in the database, such as the Army, are sometimes unable to provide data for previous years, which may imply a certain amount of under reporting. Although the annual TCB survey attempts to identify and quantify just the trade-related components of projects, this can be difficult for officials to fully achieve in practice. It may also be challenging for survey administrators to fully clarify the distinction between direct and indirect TCB funding. The limitations involved in collecting and reporting TCB-related data do not necessarily invalidate the figures in the database; however, USAID is not providing sufficient context or explanation of these limiting factors with the dataset. Clear reporting and transparency in methodology and collection are essential for users of the data to understand changes in the nature of TCB over time.

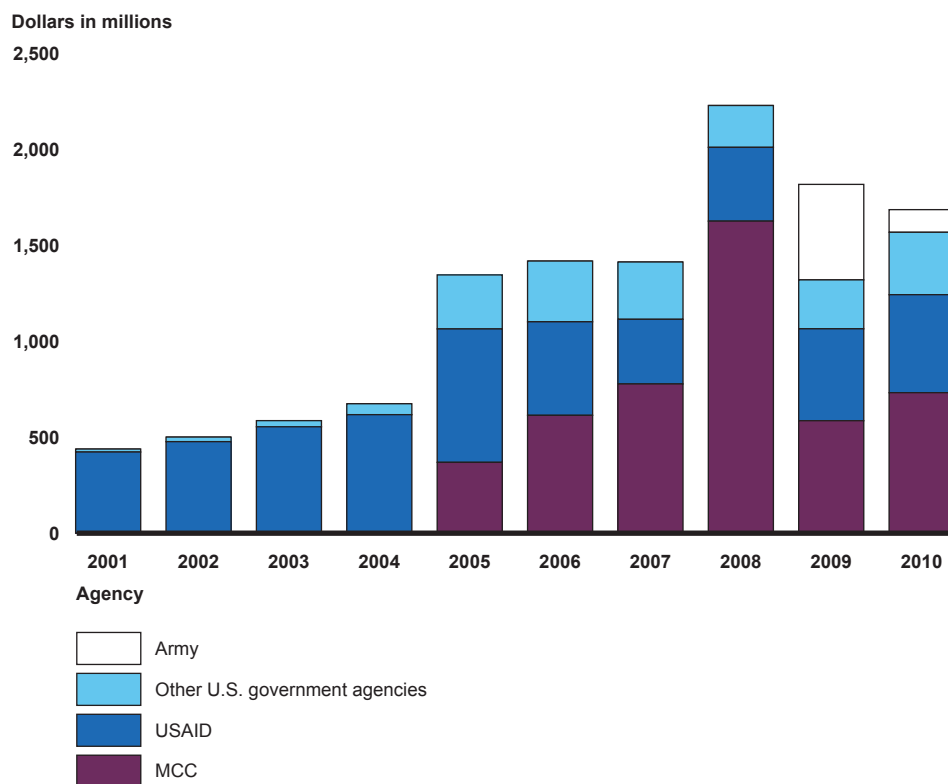
The Inclusion of MCC and the Army Has Significantly Increased the Reported Levels of and Changed the Composition of Total TCB Funding

Since our previous review of TCB assistance in 2005, there have been significant changes in the level and composition of total TCB funding as reported by the U.S. TCB database. Our past report reviewed TCB funding obligated from 2001 to 2004. Over that period, the average annual amount reported by all agencies was about \$735 million. In comparison the average annual amount reported by agencies during the period 2005–2010 was more than twice as much—\$1.65 billion. From 2005 to 2010, total funding levels have generally increased, with annually

¹⁶For the purposes of analysis, we grouped the TCB categories used by the survey, and listed in table 1 in the background, into the following eight groupings: (1) physical infrastructure development; (2) trade facilitation; (3) WTO-related (includes WTO awareness and accession and WTO agreements); (4) governance, transparency and interagency coordination; (5) human resources and labor standards; (6) financial sector development and good governance; (7) trade-related agricultural development; and (8) other TCB categories (includes environmental sector trade and standards, competition policy and foreign investment, and services trade development including tourism)..

reported funding growing from \$1.35 billion to \$1.69 billion, a 25 percent increase. Since 2005, the number of agencies reporting TCB obligations has grown from 18 to 24. However, the significant increase in total TCB funding is attributable to two agencies in particular—MCC, which was established in 2004 and began reporting TCB funding in 2005, and the Army, which began reporting TCB funding in 2009 (see fig. 1).

Figure 1: U.S. TCB Funding by Agency, Fiscal Years 2001–2010



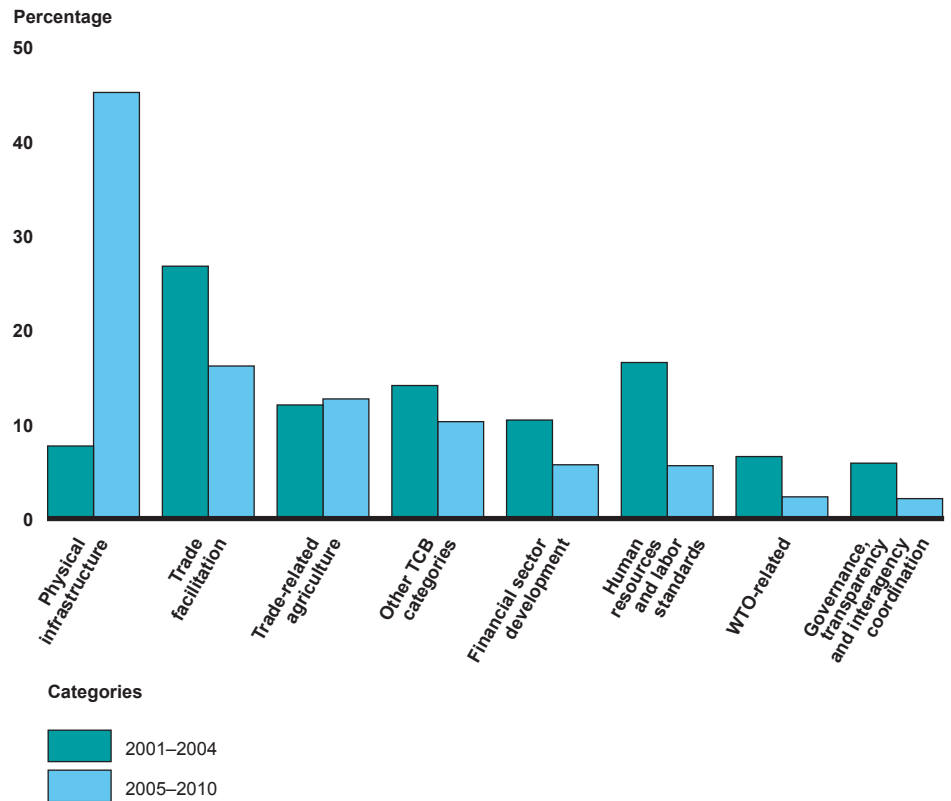
Source: GAO analysis of U.S. government TCB database.

Over 2005–2010, MCC reported obligating \$4.7 billion, or 48 percent of total TCB funding. In 2009, the first year Army began submitting data to the survey, it reported \$497 million in funding or 27 percent of the total for that year. Combined funding from MCC and Army comprised 54 percent of total TCB over 2005–2010. The significant amount of funding reported by MCC and the Army lowered the relative share of total TCB funding provided by USAID and other agencies. For example, over 2001–2004, USAID reported obligating 70 percent of total TCB funding, the largest share of any U.S. agency; while over 2005–2010, USAID’s share declined

to 29 percent of total funding. While the amount of TCB funding provided by USAID declined over that period, this does not account for such a large decline in relative share. In addition, the relative combined share of total funding for all other U.S. agencies also declined, going from 25 percent over 2001–2004 to 10 percent over 2005–2010.

Annual TCB funding in the category of physical infrastructure has grown from \$346 million in 2005 to \$787 million in 2010, a 127 percent increase. Over 2005–2010, physical infrastructure was the largest category of total TCB funding, at 45 percent of the total, or \$4.5 billion out of \$9.9 billion. In contrast, over 2001–2004, physical infrastructure comprised only 8 percent of total funding, or \$226 million out of \$2.9 billion. The share of funding for all other TCB categories has declined between those two periods. For example, there has been a decline in the overall share of funding of trade facilitation, which was the largest category over 2001–2004, from 27 percent to 16 percent, and a decline from 17 to 6 percent in human resources and labor standards, which was previously the second largest category. Figure 2 illustrates the large increase in the category of physical infrastructure and the proportional decline in the other categories of TCB, from 2001–2004 to 2005–2010.

Figure 2: Shares of Total U.S. TCB Funding by Category, Fiscal Years 2001–2004 and 2005–2010



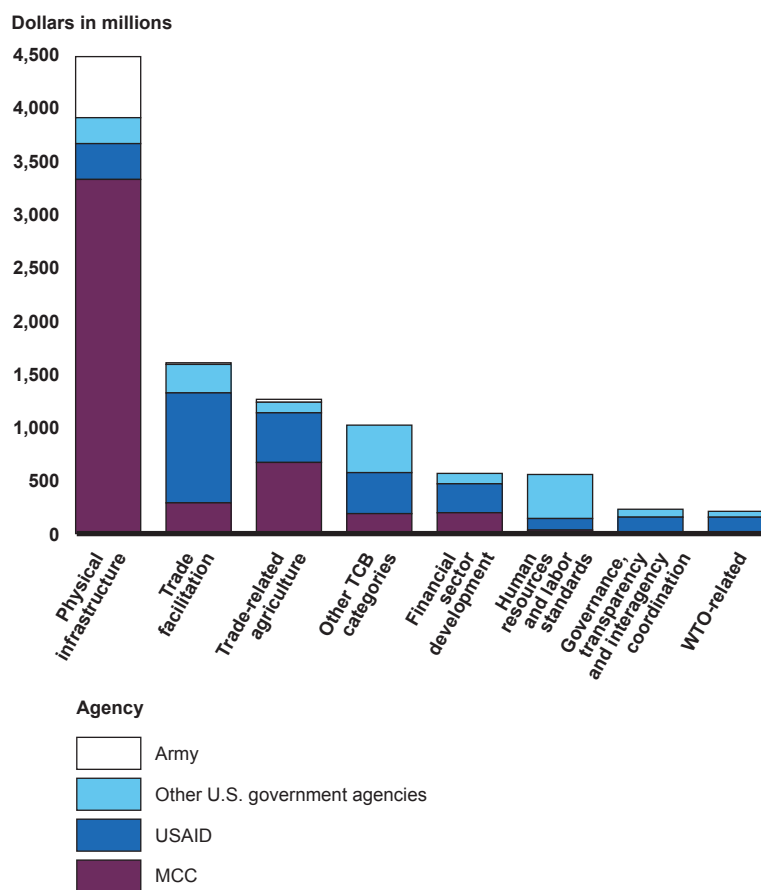
Source: GAO analysis of U.S. government TCB database.

Note: Other TCB categories included environmental sector trade and standards, competition policy and foreign investment incentives, and services trade development including tourism.

The increase in the category of physical infrastructure since 2005 has been driven by the TCB funding reported by MCC and the Army. Physical infrastructure and trade-related agriculture constitute the primary categories of TCB assistance obligated by MCC. Over 2005–2010, MCC reported obligating \$3.3 billion in the category of physical infrastructure development and \$667 million in trade-related agriculture. MCC’s funding made up a majority share of overall TCB funding for both categories. MCC accounts for 74 percent of total funding in physical infrastructure and for more than half of total funding in trade-related agriculture. Similarly, the \$497 million in TCB funding reported by the Army in 2009 was exclusively for physical infrastructure development. This amount accounts for 13 percent of total funding in physical infrastructure, the

majority of which—\$396 million—the Army reported as funding for road and bridge projects in Afghanistan. Figure 3 shows the amount of funding for each category of TCB by agency over 2005–2010.

Figure 3: TCB Funding by Category and Agency, Fiscal Years 2005–2010

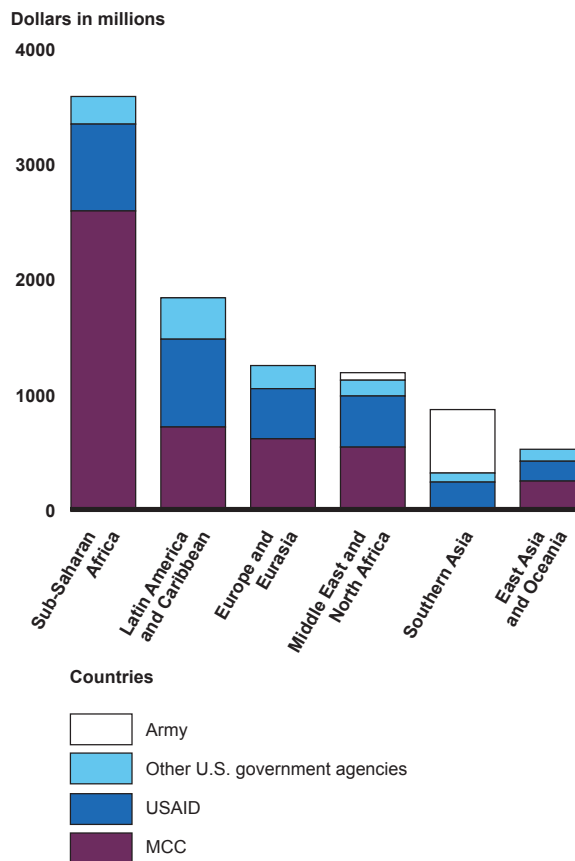


Source: GAO analysis of U.S. government TCB database.

MCC and the Army have also impacted the regional distribution of TCB as reported by the database. Since 2005, U.S. agencies have provided TCB funding to 143 recipient countries in 6 geographic regions, including Southern Asia, Europe and Eurasia, East Asia/Oceania, Latin America and the Caribbean, the Middle East and North Africa, and sub-Saharan Africa. The sub-Saharan African region received the most funding, driven primarily by projects funded by MCC (see fig. 4). Funding for Southern Asia was largely made up of the Army’s reported 2009 funding of physical infrastructure projects in Afghanistan. In contrast, USAID funding is

spread more evenly worldwide. (For a more detailed table of country funding, including TCB assistance to least developed countries, see app. IV).

Figure 4: Total U.S. TCB Funding by Agency and by Region, Fiscal Years 2005–2010



Source: GAO analysis of U.S. government TCB database.

Certain Factors Drive the Impact of MCC TCB Funding

The methodology of the TCB survey, the multiyear nature of MCC compacts, and the relatively large size of those compacts are factors that drive the impact of MCC funding on the TCB funding landscape. The TCB survey collects and reports funding for each fiscal year on an obligation basis, as opposed to reporting funding in the year in which it was

distributed. MCC obligates full funding for its 5-year compact agreements in the year the compacts enter into force.¹⁷ The TCB survey methodology captures the amount obligated in that year, resulting in large spikes in MCC annual figures. This is unique in that other U.S. agencies generally fund their multiyear projects through ongoing annual obligations. As a result, any comparisons between MCC funding and other agencies in any given year may be distorted. USAID officials noted that it may not be feasible to alter the data collection process in such a way as to address this issue.

As we have previously reported, MCC's actual disbursements have substantially lagged behind planned disbursements for countries with compacts in force.¹⁸ This is because initial compact disbursement plans underestimated the time required for compact countries to establish the structures, agreements, and capabilities to begin implementing compact projects. For example, MCC signed a compact with Mozambique in fiscal year 2008 for \$507 million and reported \$222 million of that total as TCB-related funding in that fiscal year. However, as of December 31, 2010, MCC reports having expended only \$39 million, or just less than 8 percent of the total compact amount. Furthermore, due to the multiyear nature of MCC compacts, MCC funding usually constitutes a significant amount of total annual TCB funding, so the MCC obligations that appear in the TCB database are large relative to other agencies and have an increased impact on overall TCB statistics (see fig. 1).

USAID management officials acknowledge the potential for the database to distort the portrayal of TCB funding by comparing what is, in effect, 5-year funding for MCC with 1-year funding for other agencies, but they maintain that it is not possible to reconfigure the data in any meaningful way due to the survey's methodology. They also note that they sometimes remove MCC from the dataset when conducting their own

¹⁷The Millennium Challenge Act of 2003 (Pub.-L. No.108-199, Div. D, Title VI, Sec. 605) authorizes MCC to provide assistance to countries that enter into public compacts with the United States. MCC has negotiated compacts with countries that contain agreed upon assistance objectives, responsibilities, implementation schedules, expected results, and evaluation strategies. The act stipulates that a compact may not last longer than 5 years and that MCC may have only one compact with a country at a time.

¹⁸GAO, *Millennium Challenge Corporation: Analysis of Compact Development and Future Obligations and Current Disbursements of Compact Assistance*, [GAO-08-577R](#) (Washington, D.C.: Apr. 11, 2008).

analyses. In response to the concerns we noted, USAID updated the TCB Web site in July 2011 to include a prominent notice on the Web site's home page of the unique nature of MCC obligations. Given the relative size and impact of MCC funding, such explanation is necessary to fully understand the data.

The TCB Database Does Not Adequately Explain Significant Factors Driving Changes in the Composition of TCB Funding

The Database Does Not Fully Explain Limitations That May Cause Prior Years' Reporting to be Understated

Difficulties reporting previous years' data for newly identified sources of TCB funding may mean that funding levels for those years are understated in certain cases. The TCB survey team under contract with USAID annually reviews various sources, such as the President's budget request, to identify any TCB-related funding that is not currently being reported to the survey. In this way, the survey team identified the Army as a provider of TCB funding and requested that Army officials began submitting data beginning in 2009. The Army provided this funding for physical infrastructure development projects in Afghanistan and Iraq. The Army had provided funding for similar activities for a number of years prior; however, survey officials told us it was not practical to attempt to capture previous years' data. Although the TCB Web site notes that 2009 was the first year USAID received a submission from any of the U.S. Armed Services, it does not provide any further information. Specifically, it does not make users aware of the possibility that prior years' reporting is highly likely to be understated due to the challenges in reporting on the Army's previous funding. Furthermore, the TCB Web site does not note the process or describe the limitations of identifying new TCB funding sources in its methodology. The Army's funding made up 27 percent of the total TCB for 2009. Given the relative size and impact of Army funding, such an explanation is necessary to fully understand the data and the future impact of newly-identified agencies.

U.S. Agencies and Other Donors Sometimes Struggle to Determine the Extent of Trade-Related Investments

Reporting and measuring TCB-related funding and activities, particularly for physical infrastructure projects, can be difficult, largely because of the need to distinguish between assistance focused on improving trade capacity, in particular, and support to promote economic growth or some other goal in general. While agencies such as USAID fund activities that

have clear and direct links to TCB, other agencies, including MCC and the Army, fund activities that are sometimes more indirectly related to international trade. For example, technical assistance USAID provides to aid in a country's accession to the WTO has a clear and direct relation to trade, but activities such as constructing roads or electrical grids may not. In addition, certain types of projects might be related to trade in one context but not in another. For instance, an energy project might relate to trade if it is servicing a tourism complex but not if it is providing electricity to local neighborhoods.

The TCB survey was developed to capture any and all U.S. government TCB-related funding at the activity level of all participating agencies. USAID and USTR officials have noted that the design of the TCB survey enables them to determine on a case-by-case basis the extent to which a project or program may relate to TCB because reporting officials understand the specific trade-related components of the project for which they are reporting data. USAID officials explained that the TCB survey is designed to solicit such a determination because it surveys those officials responsible for managing the projects "on the ground."

Although the TCB survey attempts to identify and quantify just the trade-related components of a physical infrastructure project, we found examples where the application of this distinction was challenging. Officials with whom we spoke during our fieldwork agreed that the definition of TCB used in the survey was quite broad, which could sometimes make it difficult to identify the activities to report in their survey responses. They relied on the categorical definitions provided by the TCB survey and survey guidance. However, we found instances in which officials experienced challenges in clearly discriminating between components of projects that were TCB or non-TCB related, particularly in large TCB-related infrastructure projects. For example:

- The Army reported \$396 million in TCB funding for infrastructure projects in Afghanistan that consisted of activities intended to repair, restore, or build roads to respond to urgent humanitarian relief and reconstruction requirements and that also had trade-related effects. Army officials cited concerns about reporting the entire road project as related to TCB because it may only be minimally used for international trade. However, survey administrators advised Army officials responsible for reporting the Army's TCB data that the entire funding for the road project should be counted as TCB-related assistance "so long as the project is not designed to exclusively support a military installation and so long as the power/utility project is not designed to

exclusively support residential use.” As one official put it, “a road will support the ability of farmers to transport their products to a local market as well as to an export facility.”

- In Morocco, MCC reported \$116 million in TCB funding for a small-scale fisheries project in the physical infrastructure category. The activity is described in the TCB database in this way:

“Fishing is one of the most important industries in Morocco. Morocco is unable to satisfy current domestic demand for quality fish. Demand is expected to increase, driven by an expanding tourist sector and expected growth in domestic fish consumption. The Small Scale Fisheries Project seeks to modernize the means of catching, storing, and marketing fish, thereby improving the quality of the catch, maintaining the value chain, and increasing fishers’ access to both local and export markets.”

According to MCC and foreign officials in Morocco, external trade was not in the forefront of their thinking on this particular project when the compact was being developed. When we originally discussed this project with one MCC official in Morocco, we were told that 100 percent of the catch was intended for domestic consumption. However, we later learned from a host country project manager that an estimated 20 to 30 percent of the catch would go to outlets that might be considered exports. There was no readily available quantitative data to verify this. Differing from both those estimates, MCC had previously reported to the survey that all \$116 million of funding for the project was TCB-related.

Other entities that report TCB-related funding face similar challenges. For example, the 2005 WTO Hong Kong Ministerial Conference established the Aid-for-Trade Initiative that prompted a joint effort by the OECD and the WTO to track TCB activities by all global donors in a manner similar to the approach of the TCB database. The U.S. TCB survey is used to generate the TCB activities and funding the U.S. government reports to that joint database. While the OECD and WTO effort collects and tracks aid-for-trade data using definitional categories similar to those used in the U.S. TCB survey, they more explicitly acknowledge the challenges associated with physical infrastructure projects. One OECD report notes that it is almost impossible to provide sound criteria that differentiate between trade-related infrastructure and general economic infrastructure. In addition, they report that few international donors can identify the trade-related share in individual projects and programs. As stated earlier in this

report, USTR maintains that the U.S. TCB survey has the ability to determine on a case-by-case basis the extent to which projects may have trade-related components. USTR has explained that this ability to dissect programs into their component parts is an important difference between the U.S. TCB definition and OECD's aid-for-trade definition. However, we have noted examples when agency officials submitting TCB estimates have found it difficult to make this distinction.

USAID does not provide any information on the difficulties involved in making these determinations on the TCB database Web site. In contrast, the 2007 report on global aid-for-trade issued jointly by the OECD and the WTO¹⁹ dedicates an appendix to discussing the difficulties in collecting data on infrastructure (as well as other categories of TCB) and the possibility that a significant over-estimation of the actual TCB-related volume is possible. The U.S. TCB survey attempts to make this differentiation but does not provide a clear explanation of how such a differentiation operates or the degree to which some of these determinations are subjective. Although the database states that the physical infrastructure category only includes assistance to establish telecoms, transport, ports, airports, power, water, and industrial zones that have a direct link to trade, it does not include a discussion of whether those projects are primarily for a non-TCB goal and how that might affect the project's value to TCB efforts.

Furthermore, the TCB database Web site does not distinguish or explain "direct" and "indirect" linkages between projects and TCB. USAID recognizes in its annual Congressional Budget Justification that there is a distinction between direct and indirect TCB. It cites examples of "direct TCB" that include support for countries' efforts to streamline customs and examples of "indirect TCB" that include modernizing transport. In neither of the examples above, where we noted instances in which officials experienced challenges in clearly discriminating between components of projects that were TCB or non-TCB related, was TCB explicitly the primary goal of the project. However, USAID officials provide no such distinctions or explanations on TCB database Web site, which could lead to users misunderstanding the data.

¹⁹Organization for Economic Development and World Trade Organization, *Aid for Trade At A Glance 2007: 1st Global Review*.

USAID Has Improved Its Assessment of TCB, but Has Not Made Plans to Make Use of Insights from a Recent Multicountry Evaluation, or to Conduct Additional Evaluations

USAID has made improvements in assessing the results of its TCB assistance, including developing indicators and taking the positive step of commissioning its first independent agencywide multicountry evaluation of TCB activities, as we recommended in our 2005 report.²⁰ The evaluation provided valuable information about the effectiveness of USAID's TCB assistance worldwide, and the factors associated with project success; however, the agency has yet to make specific plans to incorporate the evaluation's key insights into its planning and management of activities and conduct such evaluations in the future. To assess the immediate results of its TCB activities, USAID uses standard trade and investment indicators, and missions may develop additional custom indicators. In addition, it has commissioned a limited number of evaluations of specific TCB programs to assess longer-term results. However, most significantly, in 2010, USAID took the positive step of issuing an independent multicountry evaluation of U.S. government TCB assistance that focused on activities USAID administered. The evaluation provided the agency useful information on the effectiveness of USAID's activities across countries, the factors that influenced project success, and the means by which monitoring and evaluation could be improved. Although the agency is developing training based on the results of the evaluation, it has not developed plans for disseminating best practices to missions nor has it made plans for conducting such evaluations on an ongoing basis.

USAID Has Developed Indicators to Monitor Short-Term TCB Results, but Assessing Quality of Results Is Difficult

To assess and report on the immediate results of its TCB-related programs, USAID uses standard and custom indicators. (For further information on the frameworks agencies use for monitoring and evaluating their TCB activities, see app. V.) USAID requires missions to report performance against standard indicators, which include agencywide trade and investment indicators.²¹ Activities in the trade and investment program area relate to TCB, and USAID uses 20 trade and investment standard indicators to measure the immediate results of its

²⁰[GAO-05-150](#).

²¹State and USAID developed the standard indicators in 2006 as part of the State and USAID joint strategic framework to measure the results of U.S. government foreign assistance funding and the impact of efforts to advance countries' development. They are intended to facilitate the aggregate reporting of quantitative information across countries.

TCB activities.²² Missions and offices report on a subset of the standard indicators that relate to the trade and investment program elements they are funding. Examples of USAID trade and investment standard indicators include:

- Number of customs harmonization procedures implemented in accordance with internationally accepted standards as a result of U.S. assistance.
- Number of investment measures made consistent with international investment agreements as a result of U.S. assistance.
- Reduction in the number of procedures required to trade goods across borders as a result of U.S. assistance.
- Number of firms receiving capacity building assistance to export.
- Number of participants in U.S. government-supported trade and investment capacity building trainings.
- Number of trade and investment capacity building diagnostics conducted.
- Number of U.S. government supported training events on topics related to investment capacity building and improving trade.

The standard indicators are complemented by custom indicators that USAID missions and offices select to further measure and monitor particular programs. USAID uses the indicators in performance plans and reports summarizing project results.

Some USAID officials noted that the standard indicators largely measure program outputs rather than results or outcomes of TCB assistance.²³

²²State divides standard indicators USAID uses into three categories, (1) strategic level, designed to capture the impact of foreign and host-government efforts at the objective level; (2) program area level, intended to measure results beyond what could be achieved solely by U.S. government-funded interventions; and (3) element level, designed to measure outputs that are directly attributable to the U.S. government's programs, projects and activities.

²³Output measures are the direct products and services delivered by a program. Outcome measures are the results of products and services provided.

Standard indicators generally gauge activities undertaken or services provided by USAID; for example, missions we visited used such output-oriented standard indicators as the number of U.S. government supported training events on topics related to investment capacity building and improving trade. However, they do not measure whether such activities contributed to a beneficiary country's capacity to trade. Our review of documentation of countries where USAID has conducted TCB activities revealed that these standard indicators serve certain USAID management purposes, but USAID mission officials told us it was difficult to use such indicators to inform decisions about how TCB assistance could improve a country's capacity to trade. On the other hand, some USAID officials in recipient countries explained that in addition to the agencywide standard indicators, missions can develop project-specific custom indicators that tend to be more outcome-focused. For example, the mission in Morocco used the custom indicators, "total value of sales in target sectors (disaggregated by domestic sales and exports)" and "value of private investment (disaggregated by domestic and foreign direct investment)." Some program officers said that outcome-oriented custom indicators were more useful than the standard indicators for evaluating activities' effects on trade. Thus, based on data collected from a custom indicator that measured the volume of agricultural exports, program officials in Mozambique said that the mission modified the focus of an agriculture TCB-related program to target assistance to new crops with better export potential.

While the agency uses project-specific custom indicators for virtually every project, USAID management and mission officials cited challenges in developing meaningful outcome custom indicators. Some USAID officials explained that it is difficult to identify indicators that measure the effects of TCB directly attributable to U.S. government assistance. For example, one USAID official noted that many missions supporting TCB activities may track export growth as an outcome indicator, but according to mission officials, a variety of factors may impact a country's exports, including fluctuations in market prices and currencies, and it is difficult to isolate these factors from the effects of TCB assistance. Similarly, mission officials cited challenges to collecting and using valid and reliable data to gauge an indicator. For instance, in Mozambique, mission officials explained that local government trade data are not reliable, so they may have to rely solely on private sector data from firms targeted by the mission's TCB-related programs to measure exports. They said that this makes it difficult to compare the export performance of targeted beneficiary firms in the same sector. In addition, many USAID TCB-related activities are implemented as part of broader programs that have

primary development objectives other than TCB. Consequently, the programs are assessed in relation to other objectives, and monitoring the effects on trade capacity may not be feasible if the performance indicators developed were not intended for that purpose.

USAID Has Commissioned a Limited Number of Evaluations of TCB Programs to Assess Longer-Term Results

USAID also commissioned longer-term evaluations of a small proportion of specific TCB programs. These include evaluations of its regional TCB-focused programs, including the Regional Trade Program for CAFTA-DR, the Andean Regional TCB Program, and the regional trade hubs in sub-Saharan Africa.²⁴ In addition, USAID has commissioned evaluations of its bilateral TCB programs, including the Colombia Trade Capacity Building Program implemented to support the U.S.-Colombia FTA negotiations.²⁵ The evaluations are intended to help missions and offices understand the progress of programs and any needed actions to improve performance. Although mission officials stated that evaluations are useful for identifying best practices and lessons learned, USAID's recent agencywide multicountry TCB evaluation found that only 15 percent of the agency's TCB projects were found to have been independently evaluated.²⁶ Mission officials informed us that they conduct few independent evaluations of their TCB programs because of the resources required, and the difficulty of evaluating impact in the area of TCB. In addition, they noted that program evaluations had not been required. According to USAID's 2010 evaluation guidance, missions are encouraged, but not required, to

²⁴Chemonics International, Inc., *USAID Regional Trade Capacity Building Program for CAFTA-DR: Final Report* (August 2010); Nathan Associates, Inc., *USAID Andean Regional Trade Capacity Building Program: Final Report, October 1, 2005 to June 19, 2006* (June 2006); DAI/Nathan Group, *African Trade Hub Best Practices Review: Building on Successes and Lessons Learned for the Next Generation of Trade Hub*, (July 2010); and Global Business Solutions Inc., *Evaluation of Trade Hubs Located in Accra, Ghana; Gaborone, Botswana, and Nairobi, Kenya: Final Report* (August 2006).

²⁵Trade Services Group, *Colombia Trade Capacity Building Support Project Final Report: December 2004 to December 2006* (December 2006).

²⁶Molly Hageboeck, Management Systems International, *From Aid to Trade: Delivering Results: A Cross-Country Evaluation of USAID Trade Capacity Building* (November 2004).

conduct program evaluations during implementation unless certain management issues arise.²⁷

USAID's Recent Agencywide Multicountry Evaluation Provided Valuable Insights, but USAID Has Yet to Take Action to Address Results

To learn from experience and identify ways to improve the implementation and assessment of TCB activities, and in response to our 2005 recommendation, USAID took the positive step of commissioning its first independent multicountry evaluation of U.S. government TCB assistance that focused on activities USAID administered.²⁸ We support the evaluation as an important means of providing objective information on the progress of USAID's TCB efforts. It provided the agency valuable insights on the positive effects of USAID's TCB assistance across countries, particularly with regard to its impact on trade and income growth in recipient countries. It also provided useful information on the factors that contributed to and hindered project success, and the means by which monitoring and evaluation could be improved. Issued in November 2010, the evaluation examined documentation for 256 ongoing and completed USAID TCB projects the agency implemented in 78 countries from 2002 to 2006.

The Evaluation Identified Positive Effects of USAID's TCB Assistance

Overall, the evaluation concluded that USAID and other U.S. government agencies' TCB activities are associated with increases in the value of recipient countries' exports, after controlling for other factors that have influenced international trade. According to the evaluation's findings:

- USAID TCB activities had a positive effect on developing countries' exports, even in very poor countries, but the relationship between TCB assistance and export gains varied by country depending on factors that are known to influence export performance, including world prices and economic growth rates, and domestic economic and business policies.

²⁷In January 2011, USAID issued a new evaluation policy. The policy requires that all major programs be evaluated at least once and that an evaluation include its methodology and plans for dissemination. In addition, the evaluation must be timed so that the findings will be available as decisions are made about new strategies, program designs, and procurements. Recognizing the need for the funding of evaluations, the policy suggests that at least 3 percent of program funds be used for commissioned independent evaluations.

²⁸Management Systems International, *From Aid to Trade: Delivering Results, A Cross-Country Evaluation of USAID Trade Capacity Building* (November 2010).

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- USAID's TCB activities resulted in export gains in terms of value, but not volume, which suggested that exporters earned more from the same volume of production they exported.
 - Export gains associated with USAID's TCB projects stemmed from trade facilitation activities and from improvements in government practices, as well as from projects that work directly with exporters.
 - USAID's TCB activities contributed to employment and income growth for those firms and individuals directly reached by USAID projects, although the evaluation did not find sufficient information on projects' effects on net employment or poverty rates at a regional or national level.

The Evaluation Identified Attributes that Are Associated with More Successful TCB Projects

The evaluation calls attention to characteristics that contributed to the success of USAID TCB projects and that tended to lead to sustainable outcomes. Some of these factors were associated with the focus of TCB assistance provided. For example, assistance that was directed at one type of beneficiary generally enjoyed better results than projects that included various categories of recipients. In addition, TCB projects that concentrated on a single sector generally performed better than projects that focused on multiple sectors. Thus, TCB projects that concentrated on the agricultural sector were more likely to successfully achieve their objectives than projects that attempted to cover diverse sectors, such as manufacturing and services, as well as agriculture. Conversely, projects that combined different types of assistance, such as performing a trade diagnostic study as well as providing training, were more likely to achieve their performance targets and objectives than projects that relied on a single approach. In some cases a combination of technical assistance, training and use of communications technologies helped change private sector practices, resulting in trade-related gains, such as new products for export and more timely delivery of goods.

The evaluation also describes certain factors related to beneficiaries' participation that were found to contribute to successful project results. For example, encouraging participation of beneficiaries in project design and promoting private sector involvement were also found to be associated with assistance efforts that met performance targets or objectives. Projects characterized by adversarial relations among participants were, however, less likely to succeed. Other factors that the evaluation cited as hindering project success included excessive host government regulation and unexpected shifts in the recipient government's priorities. The evaluation also found that improvements

The Evaluation Identified Weaknesses in USAID's Efforts to Assess TCB Progress

resulting from TCB assistance were more likely to be sustained beyond the life of the project when anticipated funding sources, such as revenues from export earnings, were clearly set forth.

Recognizing the importance of learning from experience and improving the implementation of TCB activities, USAID and USTR commissioned the evaluation to inform their efforts to develop an interagency strategy to systematically monitor results and evaluate the effectiveness of TCB assistance. Accordingly, the evaluation identified certain gaps in the monitoring and evaluation of TCB projects and recommended ways to improve USAID's performance management practices. The evaluation found that USAID's practices for monitoring the performance of its TCB projects does not correspond, in many instances, to the agency's performance guidelines, and its evaluations of TCB projects are limited in number and suffer from methodological weaknesses. For example:

- A large proportion of projects did not include baseline data for the performance indicators selected.
- While most projects identified performance indicators, most of these TCB projects did not include performance targets for the indicators to track results.
- While evaluations used both qualitative and quantitative data, most evaluations lacked data with which to compare circumstances before and after TCB projects to determine whether the project's activities or some other factor were the likely cause of the results.
- Certain performance indicators intended to assess changes in institutional capacity, such as strengthening a given country's ministry of trade, lacked clarity in the outcome results they were designed to measure.

To improve USAID's monitoring and evaluation of its TCB projects, the evaluation recommended steps the agency should take to better align its performance management practices with its existing guidance. These include adopting tools to facilitate the development of appropriate indicators and data collection methods with which to measure results, and helping missions improve performance baseline data and targets for those projects that currently lack these data. In addition, the evaluation recommended that USAID update its current TCB strategy to better reflect findings from recent studies on trade facilitation and on other factors that influence developing countries' export performance.

USAID Has Yet to Take Action on the Evaluation's Results or Plan for Additional Evaluations

Although the evaluation examined the results of USAID's TCB activities for the purpose of learning from experiences, improving the design and implementation of TCB assistance, and informing efforts to systematically monitor and evaluate results, it has yet to take action to incorporate the results of the evaluation into its management of TCB activities. USAID management officials explained that the evaluation has been helpful in identifying the factors that contribute to the success of TCB projects and the agency agreed with the evaluation's findings and recommendations, particularly with regard to needed improvements in monitoring and evaluation practices. According to these officials, the agency has identified the need to incorporate the evaluation's findings into USAID's trainings, guidance, and strategies, as well as implement its recommendations, but further actions are needed to do so.

Officials explained that the written evaluation is lengthy, and technical officers managing TCB activities are not likely to easily understand its findings or find it useful for management purposes in its current form. USAID management officials stated that the evaluation's findings must be "repackaged" to help USAID missions and offices understand and use the information to improve the design, implementation, and the monitoring and evaluation of TCB activities. We have reported that performance information should be useful for decision making throughout an agency, and that agencies need to consider users' needs.²⁹ Currently, the agency is in the initial phases of developing ways to use the evaluation's findings to help missions develop better defined and more useful indicators, baselines, and targets with which to measure the results of TCB activities. For example, based on the results of the evaluation, USAID commissioned the development of a pilot training course on methods for developing outcome measures for monitoring and evaluating TCB programs. The pilot course provided an overview of the evaluation, described challenges of developing indicators to assess the outcome results of policy and institutional reforms on TCB, and discussed approaches to defining indicators and collecting measurements. The pilot course was presented to mission officials in Bangkok, Thailand, which one USAID management official explained had been a useful preliminary effort to incorporate the evaluation's findings into mission training. The official stated that a more comprehensive training program will likely be

²⁹GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, [GAO-04-38](#) (Washington, D.C.: Mar. 10, 2004).

developed and disseminated to missions, although the agency has no specific plans in place. Differences in countries' trade and investment environments have proven a challenge to developing training and guidance that would be useful to missions worldwide, according to officials.

In addition, according to management officials, USAID has not determined its plans for conducting additional TCB evaluations to assess the effectiveness of its TCB activities on an ongoing basis. As the evaluation, published in November 2010, focused on TCB projects funded during the period 2002–2006, the agency does not have current plans to systematically evaluate its TCB projects worldwide and on an agencywide basis beyond this period. While USAID management officials stated that replicating the evaluation's methodology is likely to be too resource-intensive for future evaluations, any subsequent evaluations would similarly aim to assess a variety of TCB projects implemented across countries to identify those that are most successful in achieving their objectives and the factors that contribute to these successes. We have reported that it is important that agencies use timely performance information to assess the results of their activities to understand how they contribute to their agency missions and broader results.³⁰ Conducting evaluations on an ongoing basis increases accountability and would help ensure that assistance is effectively delivered and implemented to maximize development. It also would provide opportunities to learn from project implementation by identifying which activities work, under what circumstances, and why. For example, USAID officials could use future evaluations to identify approaches to providing TCB assistance that have worked well and consider alternative approaches where improvements could be made. Furthermore, such evaluations might inform other donor and recipient countries' efforts to determine instances in which TCB assistance can be effective.

Conclusions

The U.S. government and international organizations acknowledge the critical role of trade in promoting development and have made TCB an important aspect of making trade more effective in reducing poverty and increasing enduring economic growth. The U.S. government TCB

³⁰GAO, *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making*, [GAO-05-927](#) (Washington, D.C.: Sep. 9, 2005).

database is a useful tool for identifying the many agencies and activities of the U.S. government that contribute to other nations' development through trade. In particular, the inclusion of MCC's funding and activities in the database creates opportunities to identify ways in which TCB funding and development goals relate. In addition, the Army's recent reporting highlights the linkage between security and development, as there is a recognition that economic stability and development contribute to peace and security. However, some U.S. agencies, including MCC and the Army, struggle to report their trade-related infrastructure assistance using the survey methodology of the database. The definition of TCB includes a wide array of activities implemented by multiple agencies to fulfill a variety of objectives. Some relate more directly to trade than others. While some agencies, such as USAID and State, conduct activities that are easily identified as intended to help a country build its capacity to trade, agencies such as MCC and the Army conduct activities that have trade-related effects but do not directly support TCB. This distinction has become increasingly important because of the significant funding reported by these two agencies, particularly for physical infrastructure, in USAID's TCB database. As a primary source of information on TCB funding for Congress and the public, it is important that its information create a clear picture of funding trends. But without explanations of the database's limitations, it may distort users' understanding and create misperceptions.

While USAID has taken positive steps to track the progress of individual TCB activities, like other development organizations it continues to struggle to link this assistance to important trade and development benefits. USAID's recent agencywide evaluation of the effectiveness of its TCB activities in multiple countries is an important step, but USAID officials have not yet signaled how they plan to address the evaluation's valuable findings. Without planning actions to utilize the results of its evaluation, the agency may miss opportunities to take advantage of the insights from that analysis to improve the effectiveness of its TCB assistance. Moreover, by evaluating its TCB activities across countries on an ongoing basis, USAID could gain a better understanding of the linkage between TCB and development. It could also gain valuable experience regarding the types of assistance important for the diverse set of countries and situations that could potentially benefit from U.S. TCB assistance.

Recommendations for Executive Action

To enhance the management and evaluation of TCB activities, we recommend that the Administrator of USAID take the following two actions:

- Explicitly and publicly report the identified limitations associated with the methodology used to collect and report data in the U.S. government TCB database, including MCC and the Army's data issues, and consider ways to differentiate between categories of assistance that directly and indirectly relate to TCB.
- Develop a written plan that details the actions the agency intends to take to address the findings and recommendations of its recent multicountry evaluation of TCB, and its plans for conducting evaluations of its TCB activities on an on-going basis.

Agency Comments and Our Evaluation

We received written comments from USAID, which are reprinted in appendix VI. USAID stated that it has already taken steps consistent with our recommendations. USAID also noted that it would take our recommendations into account in its ongoing plans and provided additional information and observations.

USAID stated that it updated the TCB database to include fiscal year 2010 data and noted it had revised the Web site for the database to clarify the unique nature of MCC obligations. We believe this is a positive step, and will improve users' ability to accurately compare and assess data over time. USAID further noted that it is reviewing its plans for the fiscal year 2011 survey of TCB activities and anticipates revamping and streamlining components of the database consistent with our recommendations. Clear reporting and transparency in methodology and collection are essential for users of the TCB database; the actions USAID has already taken, as well as those they state they intend to take, should facilitate the ability of users to understand changes in the nature of TCB over time.

Further, USAID noted it had recently completed a synopsis of the TCB evaluation which it is distributing to key stakeholders and other target audiences both within and outside the agency to highlight elements of the evaluation. In addition, USAID stated it is building on the pilot training of the evaluation's lessons, which we noted in the report, and is actively developing further training modules. However, at the time of our review USAID did not provide us with specific documentation of the actions it is planning to take to make use of the evaluation's findings and

recommendations. Without developing a plan documenting specific actions the agency intends to take to utilize the results of its evaluation, the agency may not take full advantage of opportunities for improving the effectiveness of its TCB assistance identified in the TCB evaluation.

USAID also stated that under the agency's recently issued January 2011 evaluation policy, it is committed to a systematic monitoring and evaluation of USAID's entire portfolio of activities, including TCB activities, as the policy is fully implemented. While USAID's January 2011 evaluation policy encourages evaluations across the agency's portfolio of activities, the policy is not focused on TCB activities and does not specify the type of evaluation USAID will conduct on its TCB activities. We are suggesting that USAID document its specific plans for conducting TCB evaluations on an ongoing basis.

MCC, State, the Army, and USTR received a draft copy of the report but did not provide formal comments. State, USAID, and USTR provided technical comments, which we have incorporated in the report, as appropriate.

We are sending copies of this report to appropriate congressional committees, the Secretary of the Army, the Secretary of State, the Administrator for the U.S. Agency for International Development, Chief Executive Officer of the Millennium Challenge Corporation, and the U.S. Trade Representative. This report will also be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-4347 or yagerl@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix VII.



Loren Yager
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

This report examines (1) how agencies' trade capacity building (TCB) activities are aligned with the agencies' goals, (2) the extent to which the U.S. TCB database provides sufficient information on key trends and funding, and (3) the extent to which U.S. Agency for International Development (USAID) monitors and evaluates the effectiveness of its TCB activities. To address these objectives we built upon information collected for our 2005 report on the same topic. We conducted fieldwork in Colombia, Morocco, and Mozambique. We selected these countries because they (1) were among the 10 countries receiving the most TCB funding from fiscal years 2005 to 2009, (2) had a mix of U.S. agencies providing assistance and categories of TCB assistance provided in-country, and (3) had a diversity of geographic regions and country income levels. We limited our review to four agencies that provided more than 90 percent of total U.S. TCB assistance from fiscal years 2005 to 2010—the most recent fiscal year for which data are available. These include the Millennium Challenge Corporation (MCC), the Departments of the Army (Army) and State (State), and USAID. In addition, we included the Office of the U.S. Trade Representative (USTR) in our review due to its role in trade policy coordination.

To understand how agencies' TCB activities are aligned with the agencies' goals, we analyzed strategic, budget, and programmatic documents describing these agencies' TCB funding and activities. We assessed these agencies' reports and strategic plans to determine the extent they addressed agencies' TCB-related strategies and objectives. We examined U.S. government reports on TCB assistance, annual agency reports, and agency TCB planning and project documents. In each country we examined program documents and interviewed agency officials to understand the types of TCB programs the agencies managed. In conjunction with our work at the missions, we held meetings with other key U.S. government officials, USAID contractors, host government ministry officials, and various TCB recipients. To assess how U.S. agencies coordinate the allocation of TCB assistance, we reviewed published reports on TCB activities, agency strategies, and program documents. We interviewed U.S. officials in the field responsible for implementing TCB programs and officials at agency headquarters, including the USTR.

To describe the composition of TCB and determine the extent to which the TCB database provides sufficient information on key trends and funding, we analyzed available data on agencies' TCB activities and funding from the U.S. government TCB database. USAID is responsible for maintaining the database and gathering data annually through a

governmentwide survey. We analyzed data from the database to identify the major funding categories, agencies, and recipients of TCB assistance. As part of our previous and ongoing work, we have assessed this data and determined that they are sufficiently reliable to identify TCB funding by agency, country, and category; although we found limitations to the use of the data, as discussed in this report. We examined the guidance, protocols, and definitions specified in the TCB survey. We also reviewed documents from the Organization for Economic Cooperation and Development and the World Trade Organization (WTO) to understand definitions and data collection methodologies used globally for trade-related funding. In addition, we interviewed the USAID contractor that manages the data collection and analyzed the steps the contractor took to ensure data reliability. For example, we asked the contractor how the survey data were collected, what quality checks were performed, and what other internal controls were in place. At the missions overseas, we reviewed various TCB activities and interviewed U.S. and host country officials to corroborate the descriptions and funding levels reported in the TCB database.

To understand the extent to which USAID monitors and evaluates the effectiveness of their TCB activities, we analyzed strategic, budget, and programmatic documents describing these agencies' TCB funding and activities. We reviewed data and information these agencies use to measure the performance of their activities, and, where available, evaluations of programs or projects they undertake that may be related to TCB. In particular, we reviewed a recent USAID evaluation study, commissioned in response to our previous recommendations and intended to present findings of a cross-country evaluation of U.S. government TCB assistance. In each country we visited we reviewed agencies' strategy documents and performance plans and reports for activities reported as TCB. We also interviewed agency officials, host government officials, and contracted implementing partners and visited TCB projects. In addition, we examined performance and monitoring principles used by multilateral donors and international organizations, such as the Organization for Economic Cooperation and Development.

We conducted this performance audit from July 2010 through July 2011 in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: USAID Plans Trade Capacity Building-Related Activities In-Country, Often in Collaboration with Recipient Governments and Stakeholders

USAID field missions plan TCB-related projects primarily in recipient countries, often in collaboration with recipient country governments and other in-country stakeholders. USAID's TCB strategy recognizes that priorities vary from country to country depending on the levels of income and development, and the missions' country strategic plans and resources will inform the selection and prioritization of the TCB activities the agency implements. According to USAID officials, mission officials understand country-specific factors such as the activities of other TCB donors and the composition of trade. The USAID officials informed us that missions identify their TCB projects as part of their mission strategic plans, which USAID's headquarters bureaus review in conjunction with the agency's budget planning process. They further explained that USAID's headquarters bureaus provide missions guidance and training, and help missions develop and design specific programs when necessary; however missions primarily identify the country-specific trade-related constraints and TCB assistance needs in consultation with governments and associations in recipient countries. In addition, missions use trade diagnostic studies and analyses of trade-related constraints and TCB needs.

According to USAID officials, missions plan TCB activities using analyses of trade-related constraints and TCB-related needs prepared by the recipient government and in-country stakeholders, including business and trade associations. For example, specific activities of the USAID TCB programs related to the U.S.-Colombia free trade agreement (FTA) negotiations responded to priorities defined in collaboration between USAID and the government of Colombia as the negotiations were carried out. Specifically, USAID officials stated that they collaborated with the government of Colombia to identify 52 TCB initiatives. Following the completion of the FTA negotiations in 2006, USAID continued to provide technical assistance to support the initiatives, and by 2010 the mission had addressed all but two of these initiatives. According to mission officials, the mission in Mozambique identified TCB activities, in part, based on the country's trade association's evaluation of trade-related constraints. Mission officials cited the importance of involving the business association and various government ministries to identify feasible policy reforms and foster the collaboration. For example, the mission has worked with the business association and the Ministry of Commerce to reduce import and export barriers, and reform licensing and shipment processes. In addition, these officials explained that they have daily interactions with officials of various ministries and these discussions will often identify potential areas for TCB assistance.

USAID missions also use trade diagnostic studies sponsored by USAID and developed by multilateral agencies to identify trade-related constraints and TCB needs. According to mission officials in Colombia and Mozambique, these diagnostic studies are important to encourage recipient governments to undertake needed reforms. For example, USAID commissioned three diagnostic studies to identify and plan TCB assistance in support of the U.S.-Colombia FTA negotiations. Based on study results, USAID developed seminars to increase awareness of both the Colombian congress and civil society about the importance of the FTA and how regions and productive sectors would benefit from it. In Mozambique, multilateral and bilateral stakeholders developed a diagnostic study that mission officials said contributed to the mission's decisions regarding sectors and areas of the country where it provided technical assistance under its TCB-related agribusiness and tourism programs. For example, according to mission officials, the study contributed to the agribusiness program's focus on commodities such as cashews and coconuts from the country's northern region that have the greatest export potential. Furthermore, according to one government of Mozambique official, the mission utilized the study results to encourage the government to develop a national strategy to address trade-related constraints to economic growth.

We also found that USAID missions generally select TCB-related activities that align with broader country development strategies. In countries we visited, mission officials cited the importance of consulting with recipient governments' national development strategies and with foreign officials of recipient countries to identify potential TCB-related activities that have the support of the recipient governments. For example, the mission in Mozambique identified TCB-related activities under its agribusiness and policy reform programs that directly supported the implementation of priorities identified in national strategies of various ministries. In Morocco, the mission supported the government of Morocco's strategy of providing jobs, economic opportunities, and political stability through free trade. The mission identified the potential economic challenges posed by the FTA, particularly in the area of agriculture, and outlined activities to help the government of Morocco respond to the challenges and opportunities posed by the FTA. According to mission officials, the mission worked with Moroccan associations to promote transparent and simplified investment procedures, increase access to finance for small businesses, and increase assistance to the Ministry of Agriculture to promote a shift in the country's agricultural production to higher value crops.

Appendix III: Coordination of U.S. Trade Capacity Building Assistance among Agencies

USTR leads efforts to coordinate the TCB activities of USAID and other U.S. agencies through interagency groups and committees tied to FTAs and in response to multilateral initiatives related to TCB. USTR-led interagency groups often seek U.S. agencies' input into TCB-related issues and identify the types of assistance agencies have provided and may be able to provide in a particular area. In addition, U.S. agencies coordinate their TCB-related activities in recipient countries as part of interagency groups that discuss general development assistance activities, but which do not focus on TCB specifically. For example, USAID coordinates its TCB-related activities with other U.S. agencies in-country, as appropriate, through embassy-led task forces and working groups focused on development assistance in the area of economic growth. These interagency groups seek to prioritize projects with broader foreign assistance strategies, eliminate duplication of efforts, and identify where assistance gaps exist, for instance.

USTR Leads Efforts to Coordinate U.S. TCB Assistance among U.S. Agencies

USTR leads efforts to coordinate the TCB activities of USAID and other U.S. agencies through interagency groups and committees tied to FTAs. USTR has created TCB interagency groups in free trade negotiations with developing countries and committees on TCB to prioritize and coordinate TCB activities to help FTA partner countries participate in negotiations and implement trade rules during the transition and implementation periods. Interagency groups have been a feature of the FTAs with Bahrain, Central America-Dominican Republic, Chile, Jordan, Morocco, Oman, and Peru. According to USTR officials, these interagency groups do not influence the outcomes of FTA negotiations; however, interagency groups and committees meet periodically in conjunction with ongoing and completed negotiations to discuss partner countries' TCB needs, determine the types of TCB activities agencies already provide, and identify the types of TCB assistance agencies might provide in the future. According to USTR officials, the interagency groups tied to the FTAs offer USTR the opportunity to work with other agencies to try to identify the types of assistance they may be able to provide in a particular area. USAID and other U.S. agencies participate in these working groups and committees so that identified TCB needs are incorporated into ongoing assistance programs. For example, according to USTR officials, during a 2008 meeting of the Central America-Dominican Republic FTA TCB Committee, agencies identified sanitary and phytosanitary assistance as a priority, and with USDA assistance, each partner country's sanitary and phytosanitary system was assessed and gaps or deficiencies in those systems were identified. In response, State, USAID, USDA, and USTR reached agreement to provide further sanitary and phytosanitary

assistance. In addition, in 2010, USAID, U.S. Customs and Border Protection, and USTR developed training sessions in all Central America-Dominican Republic FTA partner countries to address textiles compliance issues the interagency committee had identified, according to USTR officials.

USTR also leads the coordination of agencies' TCB-related activities resulting from Trade and Investment Framework Agreements (TIFA) between the United States and partner countries.¹ According to USTR officials, USTR works with other agencies—including the U.S. Patent and Trademark Office and the Departments of Commerce, Justice, and State—in working groups that respond to partner countries' assistance needs and priorities. TIFAs also prompt regular meetings between the U.S. government and the partner country. Officials explained that these discussions are led by USTR for the United States, but a number of other agencies also participate and TCB is often a part of these dialogues. For example, officials noted that USTR recently chaired a meeting with the government of Mauritius in which the Department of Commerce presented TCB tools and trainings that it provides. Similar meetings with South Africa and Nigeria have also included representatives from a number of different agencies and included TCB discussions.

In addition, USTR coordinates TCB efforts with USAID and other agencies through the Trade Policy Staff Committee (TPSC) and its associated subcommittees.² Following the Hong Kong WTO Ministerial in 2005, the U.S. administration formed a TPSC Subcommittee on TCB. According to officials, the subcommittee has focused on WTO developments in the area, including USTR's sharing of information regarding the WTO and other multilateral initiatives related to TCB, such

¹TIFAs provide strategic frameworks and principles for dialogue on trade and investment issues between the United States and the other parties to the TIFA. These agreements serve as a forum for the United States and other governments to meet and discuss issues of mutual interest with the objective of improving cooperation and enhancing opportunities for trade and investment.

²The TPSC is chaired by USTR and composed of 20 federal agencies and offices. It seeks to develop and coordinate U.S. government positions on international trade and trade-related investment issues. Supporting the TPSC are more than 90 subcommittees responsible for specialized areas and several task forces that work on particular issues.

as the Enhanced Integrated Framework,³ and seeking other agencies' input. As these initiatives had near- and long-term implications for the WTO, a permanent subcommittee of the TPSC was deemed the appropriate mechanism for interagency coordination, according to USTR officials. All members of the TPSC are invited to participate in meetings of the TPSC Subcommittee on TCB. In addition, other agencies that have a particular interest or expertise in TCB assistance are also invited, including MCC. USTR utilizes other TPSC subcommittees to coordinate U.S. agencies' TCB efforts in various contexts. For example, the TPSC Subcommittee on Africa has discussed TCB issues particularly related to the African Growth and Opportunity Act, and the TPSC Subcommittee on Labor has discussed TCB issues related to FTA labor commitments and trade preference program labor obligations.

U.S. Agencies Coordinate TCB Activities In-Country as Part of Interagency Groups Focused on Broader Assistance Objectives

U.S. agencies generally coordinate their TCB-related activities in-country, primarily through mechanisms that do not focus on TCB, but which discuss TCB-related assistance in connection to broader foreign assistance objectives. In conducting our fieldwork we found that embassy-led task forces and working groups sometimes discuss agencies' TCB-related activities, as appropriate. For example, according to officials in Morocco, USAID, State, MCC, and other agencies discuss their TCB-related activities as part of the embassy's foreign assistance working group that aims to prioritize projects in alignment with broader foreign assistance strategies, eliminate duplication of efforts, and identify where assistance gaps exist. Through Ambassador-led working group meetings and communications with headquarters in Washington, D.C., agencies have identified and coordinated their specific TCB-related activities, such as USAID and State's collaboration on activities that promote access to finance, and USAID's focus on working with the government of Morocco to promote policy reforms, particularly in support of MCC's projects. In Mozambique, the mission coordinates TCB-related activities through the embassy's private sector working group that focuses

³The Enhanced Integrated Framework for Trade-Related Assistance to Least-developed Countries is a program comprised of multiple organizations and donors that operates as a coordination mechanism for trade-related assistance to least-developed countries (LDC). The program assists LDCs incorporate trade into national development strategies, establish structures needed to coordinate the delivery of trade-related technical assistance, and address trade-related constraints. Its members include the WTO, World Bank, the International Monetary Fund, United Nations Conference on Trade and Development, United Nations Development Program, and the International Trade Centre.

on foreign assistance covering multiple economic sectors, according to officials. Officials noted that the working group has reviewed the mission's TCB-related agricultural development projects in conjunction with similar projects conducted by other agencies. In particular, through the working group mission officials have worked regularly with USDA officials to coordinate the processing and storage of agricultural production supported by each agency's TCB-related projects.

Appendix IV: Recipient Countries of Bilateral U.S. Trade Capacity Building Assistance and Funding Levels, Fiscal Years 2005–2010

Table 2 shows the 143 countries that received roughly \$8.5 billion in bilateral TCB funding between fiscal years 2005 and 2010. Of the 20 countries receiving the largest obligations, all but 5—Afghanistan, Colombia, Sudan, Iraq, and Egypt—are MCC compact countries. These 20 countries received \$6.3 billion, or 74 percent, of total U.S. TCB assistance over the period. Among these 20 countries, 8 are least developed countries (LDC) according to the definition used by the United Nations. In total, 43 LDCs received \$3.6 billion or 43 percent of total bilateral TCB funding. Of the four agencies we reviewed, MCC obligated the most funding, \$2.3 billion, to LDCs, while USAID obligated \$618 million, the Army obligated \$550 million, and State obligated \$8 million. Figure 5 illustrates the shares of TCB funding obligated to LDCs in total and for each agency.

Table 2: Countries Receiving TCB Funding Obligations, Fiscal Years 2005–2010

Country (by amount of funding)	Total TCB funding (fiscal years 2005–2010)	Least developed country	MCC recipient country
Afghanistan	758,936,000	*	
Tanzania	606,139,000	*	*
Morocco	577,406,000		*
Senegal	507,002,000	*	*
El Salvador	452,537,000		*
Burkina Faso	398,015,000	*	*
Georgia	323,600,000		*
Ghana	292,134,000		*
Colombia	284,558,000		
Moldova	263,643,000		*
Mozambique	258,409,000	*	*
Honduras	229,999,000		*
Mongolia	198,548,000		*
Iraq	196,702,000		
Benin	188,979,000	*	*
Nicaragua	175,040,000		*
Egypt	169,551,000		
Mali	159,492,000	*	*
Armenia	121,630,000		*
Sudan	120,771,000	*	
Lesotho	102,085,000	*	*

**Appendix IV: Recipient Countries of Bilateral
U.S. Trade Capacity Building Assistance and
Funding Levels, Fiscal Years 2005–2010**

Country (by amount of funding)	Total TCB funding (fiscal years 2005–2010)	Least developed country	MCC recipient country
Jordan	95,027,000		*
Cape Verde	87,318,000	*	*
Namibia	85,173,000		*
Ukraine	77,672,000		*
Indonesia	76,174,000		
Bolivia	74,146,000		
West Bank/Gaza	73,905,000		
Peru	69,972,000		
Dominican Republic	69,140,000		
Madagascar	66,658,000	*	*
Ethiopia	61,662,000	*	
Philippines	60,875,000		*
Vanuatu	54,525,000	*	*
Guatemala	53,474,000		
Liberia	49,195,000	*	*
Kazakhstan	46,206,000		
Serbia	38,850,000		
Vietnam	37,847,000		
Macedonia	37,363,000		
Ecuador	37,252,000		
India	36,641,000		
Uganda	36,328,000	*	
Romania	33,804,000		
Pakistan	33,718,000		
Rwanda	33,603,000	*	
Hungary	32,332,000		
Paraguay	32,257,000		*
Mexico	31,735,000		
Kyrgyzstan	29,338,000		
Cambodia	28,859,000	*	
South Africa	28,845,000		
Nigeria	27,038,000		
Kenya	26,922,000		
Azerbaijan	24,040,000		
China (P.R.C.)	22,210,000		

**Appendix IV: Recipient Countries of Bilateral
U.S. Trade Capacity Building Assistance and
Funding Levels, Fiscal Years 2005–2010**

Country (by amount of funding)	Total TCB funding (fiscal years 2005–2010)	Least developed country	MCC recipient country
Zambia	21,141,000	*	*
Tajikistan	20,207,000		
Bosnia and Herzegovina	20,137,000		
Russia	18,781,000		
Haiti	18,635,000	*	
Brazil	17,399,000		
Croatia	16,961,000		
Thailand	16,133,000		
Timor Leste	15,258,000	*	
Guyana	15,234,000		*
Malawi	14,853,000	*	
Albania	12,902,000		
Serbia and Montenegro (FRY)	12,306,000		
Lebanon	11,640,000		
Uzbekistan	11,149,000		
Turkmenistan	10,574,000		
Angola	10,178,000	*	
Nepal	9,904,000	*	
Kosovo	9,773,000		
Costa Rica	9,228,000		
Democratic Republic of Congo (Kinshasa)	8,620,000	*	
Yemen	8,438,000	*	
Sri Lanka	8,278,000		
Bangladesh	7,926,000	*	
Montenegro	7,880,000		
Togo	7,864,000	*	
Algeria	6,796,000		
Turkey	6,527,000		
Guinea	6,149,000	*	
Chile	5,589,000		
Oman	5,575,000		
Central African Republic	5,400,000	*	
Jamaica	5,127,000		
Malaysia	5,088,000		

**Appendix IV: Recipient Countries of Bilateral
U.S. Trade Capacity Building Assistance and
Funding Levels, Fiscal Years 2005–2010**

Country (by amount of funding)	Total TCB funding (fiscal years 2005–2010)	Least developed country	MCC recipient country
Laos	4,859,000	*	
Sao Tome and Principe	4,000,000	*	*
Argentina	3,927,000		
Burundi	3,862,000	*	
Panama	3,703,000		
Bulgaria	3,100,000		
Cyprus	2,928,000		
Botswana	2,015,000		
Djibouti	2,000,000	*	
Tunisia	1,809,000		
Lithuania	1,383,000		
Niger	1,374,000	*	
Belarus	1,266,000		
Papua New Guinea	1,157,000		
Cote d'Ivoire	1,105,000		
Maldives	971,000	*	
Latvia	840,000		
Cameroon	818,000		
Mauritius	813,000		
Chad	667,000	*	
Slovak Republic	646,000		
Guinea-Bissau	600,000	*	
Uruguay	599,000		
Bahrain	580,000		
Poland	472,000		
Trinidad and Tobago	461,000		
Dominica	446,000		
Gambia	417,000	*	
Barbados	404,000		
Libya	337,000		
Gabon	292,000		
Qatar	272,000		
Korea, Rep.	200,000		
Zimbabwe	195,000		
St. Lucia	173,000		

**Appendix IV: Recipient Countries of Bilateral
U.S. Trade Capacity Building Assistance and
Funding Levels, Fiscal Years 2005–2010**

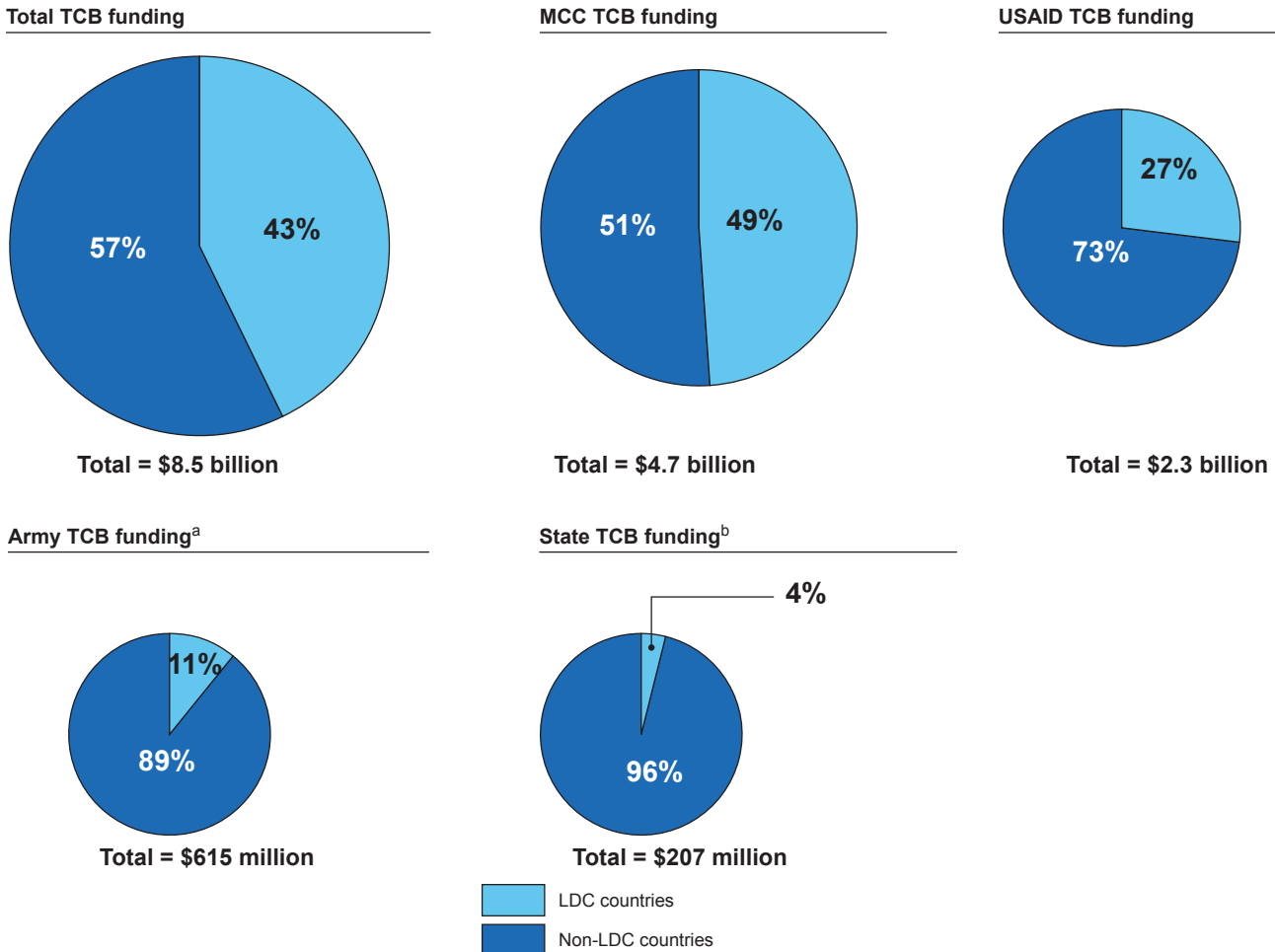
Country (by amount of funding)	Total TCB funding (fiscal years 2005–2010)	Least developed country	MCC recipient country
Bahamas	114,000		
St. Kitts and Nevis	80,000		
St. Vincent and Grenadines	69,000		
Solomon Islands	60,000	*	
Seychelles	51,000		
Fiji	43,000		
Belize	38,000		
Sierra Leone	26,000	*	
Suriname	23,000		
Swaziland	23,000		
Bhutan	21,000	*	
Venezuela	20,000		
Micronesia (Fed States)	16,000		
Mauritania	14,000	*	
Tonga	13,000		
Congo (Brazzaville)	11,000		
Samoa	11,000	*	
Grenada	5,000		

Source: U.S. government TCB database.

Note: Many U.S. government departments and agencies fund and implement TCB activities that cannot be disaggregated by country, but are regional or global in scope. The obligations in this table were on a bilateral basis and do not include amounts obligated regionally or multilaterally.

Appendix IV: Recipient Countries of Bilateral U.S. Trade Capacity Building Assistance and Funding Levels, Fiscal Years 2005–2010

Figure 5: Share of Bilateral Obligated TCB Funding by LDC Status, Fiscal Years 2005–2010



Source: GAO analysis of U.S. government TCB database.

Note: Many U.S. government departments and agencies fund and implement TCB activities that cannot be disaggregated by country, but are regional or global in scope. The obligations in this table were on a bilateral basis and do not include amounts obligated regionally or multilaterally.

^aThe Army reported TCB funding for only three countries, with the bulk of funding going to Afghanistan, an LDC.

^bThe majority of TCB reported by State was regional or global in scope which is not represented in these bilateral figures.

Appendix V: MCC and the Army Assessments of Trade Capacity Building-Related Activities

MCC and the Army do not use TCB-specific performance indicators and evaluations to assess the progress of their activities in terms of TCB. Each agency uses its overall monitoring and evaluation framework to assess their TCB-related activities in relation to the agency's missions and program goals. MCC monitors its TCB-related activities in terms of the progress they make towards the objectives of the compacts and threshold programs in which they are included. The procedures the Army uses to assess individual TCB-related projects are based on the types of project funding and the primary project objectives.

Millennium Challenge Corporation

MCC does not monitor the results of its TCB-related activities in terms of TCB, but monitors progress using its overall policies for monitoring the results of its compacts and threshold programs. MCC monitors TCB-related activities in terms of their progress towards the immediate results and final program objectives of the compacts and threshold programs in which they are included. During compact development, project appraisals and development procedures include defining the objectives and benchmarks that will be used to measure progress over the duration of the compact. MCC performs an economic analysis on each compact project proposal, which includes assessing the economic growth rationale for the investment, calculating an economic rate of return, and estimating its poverty reduction impacts. The economic analysis results in the indicators MCC uses to monitor its compact projects, including those that it reports as TCB.¹ Project managers may monitor additional indicators for their own management purposes. While the economic analysis and the selection of additional indicators may result in indicators meaningful to measure the effects of activities on trade, MCC does not identify a particular set of TCB-specific performance indicators to monitor TCB-related compact projects in terms of their effectiveness in building the trade capacity of the compact country. Similarly, the indicators used to monitor TCB-related activities included in threshold programs are not specific to TCB, but are identified during program development. The selection of performance indicators for threshold programs are based on information on the policies and actions that may have affected the threshold country's standing in relation to the MCC's eligibility criteria.

¹After a compact is signed, the partner country's accountable entity and MCC finalize a monitoring and evaluation plan that lays out the framework for monitoring and evaluating compact activities and the process for assessing progress towards the compact goal. The plan identifies the indicators, performance targets, and details for collecting data and reporting progress against performance targets.

In the two compact countries we visited—Morocco and Mozambique—most projects MCC reported as related to TCB were not assessed using performance indicators meaningful for measuring progress in terms of TCB, according to in-country MCC officials. These officials explained that projects MCC reported as TCB could have been assessed using trade-related indicators, such as the volume and value of exports stemming from projects, because they have trade-related effects. However, these officials explained the economic analysis of the compact projects and the project manager’s selection of additional indicators did not result in indicators that directly measured the results of projects in terms of trade. For example, in Morocco, officials noted that the performance indicators used to monitor three TCB-related compact projects did not provide information to track results in terms TCB, but monitored projects’ effects on household incomes and employment. Similarly, in Mozambique, none of the three compact projects MCC reported as TCB-related were monitored in terms of their effects on trade, according to in-country officials. Although these officials explained that all three projects result in trade-related outcomes, including a road rehabilitation project that facilitates the transport of goods for export and an agriculture development project that resulted in production for export, the projects were monitored in terms of other objectives. For example, the objectives of a TCB-related roads rehabilitation project in the Mozambique compact included reduced transport costs, and increased public transport access for individuals to take advantage of job and other economic opportunities. The economic analysis of the project focused on the reduction of transport costs, including savings in vehicle operating costs, and time savings. Examples of performance indicators for the project included measures of the roughness of the road and the dollar value of time saved due to shorter trip times and increased speed on upgraded roads.

In addition, MCC conducts independent evaluations of its compacts and threshold programs to better understand the effectiveness of its development programs; however, these evaluations are not intended to directly evaluate projects in terms of TCB. According to MCC’s monitoring and evaluation policy, every compact project and each threshold program must undergo a comprehensive, independent evaluation after completion, and compact projects may be evaluated during compact implementation as necessary. The evaluations are intended to compile lessons learned and improve the effectiveness and efficiency of project implementation. Evaluations also are meant to compare projects’ final results with a credible estimate of what would have happened without the project, including changes in individual, household, or community income that result from a particular project or program. According to MCC officials in

the countries we visited, evaluations had not yet been conducted on compact projects, including TCB-related projects, but each project would be evaluated upon the completion of the compact. These officials explained that the evaluation will be conducted in accordance with agency guidance to assess the performance of specific activities and contribute to a broader understanding of development effectiveness. While the evaluation may assess the trade-related results of projects as trade may contribute to the economic growth and poverty reduction objectives of the compact, officials explained that an assessment of the effectiveness of compact projects in terms of TCB would not be a specific focus.

The Department of the Army

The Army does not have a specific process for monitoring and evaluating the performance of projects reported as TCB, but uses its general guidance and processes for assessing projects. According to officials of one command, the infrastructure projects identified as TCB are not monitored using performance indicators specific to TCB, and the Army does not evaluate the effectiveness of its TCB-related infrastructure projects in terms of TCB. Officials explained that the monitoring and evaluation procedures used to assess individual TCB-related projects depend on the types of funding used for specific projects and the project's primary objectives. For example, according to officials, TCB-related projects funded under the Commander's Emergency Response Program (CERP), which include TCB-related projects implemented to respond to humanitarian and reconstruction requirements in Afghanistan, are monitored and evaluated using processes outlined in CERP guidance, which do not include methods for monitoring and evaluating projects' effects on trade. TCB-related projects funded under CERP include the repair and restoration of telecommunications and electrical systems, and irrigation projects. According to the July 2009 CERP guidance, performance indicators for CERP projects are selected based on each project's scope, complexity, and period of usefulness. In identifying procedures for evaluating projects, officials are to consider certain factors, including the benefits of the project to the local population, and the number of individuals in the local population engaged in and benefiting from the project; also the project must meet engineering standards.

Appendix VI: Comments from the U.S. Agency for International Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



USAID
FROM THE AMERICAN PEOPLE

July 19, 2011

Mr. Juan Gobel
Assistant Director
US Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Mr. Gobel:

I am pleased to provide the U.S. Agency for International Development's formal response to the GAO draft report entitled: "Foreign Assistance: The United States Provides Wide-ranging Trade Capacity Building Assistance, but Better Reporting and Evaluation Are Needed." (GAO 11-727).

The enclosed USAID comments are provided for incorporation with this letter as an appendix to the final report.

Thank you for the opportunity to respond to the GAO draft report and for the courtesies extended by your staff in the conduct of this audit review.

Sincerely,

Sean Carroll /s/
Chief Operating Officer
U.S. Agency for International Development

Enclosure: a/s

The U.S. Agency for International Development letter was signed electronically by Sean C. Carroll, Chief Operating Officer.

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“Foreign Assistance: The United States Provides Wide-ranging Trade Capacity Building Assistance, but Better Reporting and Evaluation Are Needed” (GAO 11-727).

There are a number of issues raised in the report concerning the Trade Capacity Building (TCB) database as well as USAID’s progress in applying the lessons from the TCB Evaluation on which we would like to comment.

Recommendation 1: We recommend that the administrator of USAID explicitly and publicly report the identified limitations associated with the methodology used to collect and report data in the U. S. government TCB database, including MCC and Army’s data issues; and consider ways to differentiate between categories of assistance that directly and indirectly relate to TCB

Response: USAID and its interagency counterparts have been acutely aware of the challenges associated with accurately tracking U.S. Government (USG) TCB contributions. As the report correctly reflects, the TCB database has evolved over the years of its existence. Every annual TCB survey to USG agencies has included further refinements in its methodology along with an effort to more inclusively reflect trade-related contributions made by other government entities. With the inclusion of the Millennium Challenge Corporation’s (MCC) activities in 2005 and the Department of the Army in 2009, the database expanded to more accurately reflect the entirety of USG TCB activities, but to the detriment of user’s ability to compare and assess data across the full time interval the database covers. With the recent updating of the TCB database on July 1 to include FY 2010 numbers, USAID has already responded to the GAO’s concern by prominently indicating on the home page of the TCB database the unique nature of MCC obligations which cover five years of any given country compact. USAID is also reviewing its plans for the FY 2011 survey of TCB activities and anticipates revamping and streamlining components of the database and will be taking account of the GAO’s recommendations for improving data collection and reporting.

Recommendation 2: We recommend that USAID develop a written plan that details the actions the agency intends to take to address the findings and recommendations of its recent multi-country evaluation of TCB, and its plans for conducting evaluations of its activities on an ongoing basis.

Response: The GAO report acknowledges the valuable insights afforded by USAID’s recently completed cross country study on TCB, *From Aid to Trade: Delivering Results*, which identifies the positive effects of USAID TCB assistance. As noted in GAO’s report, the study is lengthy and complex, but USAID has been focusing on disseminating and implementing the results of the study and the lessons to be learned in terms of project design, implementation, monitoring and evaluation. A significant aspect of the report’s findings and recommendations is informing the international efforts on Aid for Trade being led jointly by the Organization for Economic Cooperation and Development (OECD) and World Trade Organization (WTO) on TCB and aid effectiveness.

Closer to home, a number of initiatives related to the TCB evaluation have also been advancing. USAID has just completed a synopsis of the TCB evaluation which it is distributing to key

See comment 1.

See comment 2.

- 3 -

stakeholders and other target audiences both within and outside the agency to highlight the core elements of the evaluation. Operationally, the evaluation is already guiding USAID/Washington's interactions with bilateral and regional missions as they design and implement new TCB interventions.

Still, USAID/Washington recognizes the need to broaden and deepen the understanding of the TCB evaluation. As noted in the draft report, USAID has already undertaken a pilot training course on the evaluation's lessons. We are building on that experience and we are actively developing further training modules. Because interaction with economic growth officers is essential to the successful adoption of the evaluation's findings and recommendations, the agency is undertaking a number of varied outreach efforts. A new in-depth training program on trade and investment issues is scheduled to be offered in Washington in October 2011 and will include a unit on the identification of successful approaches for the provision of TCB. The agency is also moving to complete a similar online training module for those unable to attend face-to-face training sessions and will be rolling out opportunities for interactive discussions with USAID's field operations utilizing USAID Connect, the agency's collaborative meeting and web conferencing capability.

Finally, the GAO report calls for ongoing evaluation of TCB activities across countries as a means to a better understanding of the linkages between TCB and development. USAID's new evaluation policy, which was promulgated in January 2011, addresses this issue by committing the agency to a systematic monitoring and evaluation of USAID's entire portfolio of activities. TCB activities are an integral part of that portfolio and as the evaluation policy is fully implemented, USAID will conduct evaluations of new and ongoing TCB interventions in order to generate new knowledge and apply those lessons to our development activities.

USAID is committed to improving TCB and aid effectiveness and GAO's report serves to strengthen our efforts in this important area.

See comment 3.

The following are our comments on the U.S. Agency for International Development letter dated July 19, 2011.

GAO Comments

1. In response to the updated TCB database and the inclusion of information on the unique nature of MCC obligations, we incorporated fiscal year 2010 data into our analysis and revised our report as appropriate to reflect these developments.
2. We welcome USAID's recent actions to make use of the findings of its recent evaluation. However, during the course of our review, USAID officials were unable to provide us with documentation of its synopsis of the evaluation and its specific plans for addressing the evaluation's findings and recommendations. We believe documenting specific actions the agency plans to take to make use of the evaluation's valuable information would provide a structured approach that would help ensure the lessons learned will be incorporated into the design, implementation, monitoring, and evaluation of TCB projects.
3. We support USAID's commitment to systematically monitor and evaluate its portfolio of activities, including those related to TCB, and the agency's intent to conduct evaluations of new and ongoing TCB interventions in order to generate new knowledge and apply those lessons to its development activities. However, USAID's January 2011 evaluation policy covers evaluations across the agency's portfolio of activities and thus is broad-based and does not target TCB specifically. We believe that USAID still should document its specific plans for conducting TCB evaluations on an ongoing basis as laid out in the November 2010 evaluation.

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

Loren Yager, (202) 512-4347 or yagerl@gao.gov

Staff Acknowledgments

In addition to the individual named above, the following persons made major contributions to this report: Juan Gobel, Assistant Director; Bradley Hunt; Karen Deans; David Dornisch; Ernie Jackson; and Brian Tremblay. Miriam Carroll Fenton, Howard Cott, Timothy Fairbanks, Victoria Lin, and Christina Werth provided technical assistance.

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